

# APNIC EC Meeting Minutes

## Face-to-Face Meeting

Monday, 12 December 2011

*Meeting Start: 9:15 (UTC +1000)*

## Present

Akinori Maemura  
James Spenceley  
Kenny Huang  
Gaurab Raj Upadhaya  
Ma Yan  
Che-Hoo Cheng  
Paul Wilson

Geoff Huston  
Connie Chan  
Richard Brown  
Craig Ng

## Apologies

Wendy Zhao

## Agenda

1. Agenda Bashing
2. Review of Previous Minutes
3. 2012 Budget Submission
4. DG Report
5. India NIR Update
6. EC Appointment to NC/AC for 2012
7. APNIC Membership Agreements
8. Insurance Review Report
9. EC Response to WGs
10. Member Petition Process
11. AOB

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## Minutes

The Chair of the Executive Council called the meeting to order at 9:15 (UTC+1000).

### 1. Agenda Bashing

There were no changes to the agenda.

### 2. Review of Minutes and Actions

The minutes of the meeting held on 24 November 2011 were unanimously approved.

**Action ec-11-023:** Secretariat to publish minutes of the 24 November 2011 meeting.

### **3. 2012 Budget Submission**

The EC considered the 2012 budget papers (attached). The EC noted the priority areas of activity as established in the membership and stakeholder survey in relation to the proposed priorities in the budget.

The Board unanimously approved the following motion:

The EC approves the APNIC 2012 budget and approves an expenditure ceiling to the Director General of \$16,983,339 for 2012, comprising of Operating Expenditure of AUD \$15,731,149 and Capital Expenditure of \$1,252,190.

### **4. DG Report**

The DG noted that this was an active period for the management team of the Secretariat as all management staff have been busy with staff performance appraisals as these are now aligned to the calendar year. In addition, the operational planning process for 2012 has been underway.

The D-G reported on the recent I\* retreat. That meeting discussed the future options for IGF and its role, noting that this community is supportive of the IGF and is committed to further refining this model of engagement with public sector stakeholders. There are issues related to the level of future funding for IGF, and the level of financial support for this forum from the I\* organizations was discussed at the retreat. It was noted that the IGF has a mandate from the UN for a further four annual meetings of the IGF.

The ITR negotiation in the WICT forums continues, with some new proposals that have bearing on the way in which IP addresses are administered in the sense of the ITR framework.

The USG has released its RFP for the IANA contract that is eligible for application by US organizations. This process has raised a number of questions about the manner in which the contract process has reflected comments and inputs gathered from the community of stakeholders during the extend contract process.

There is a strong likelihood of an IPv6 event in 2012 with the active support of the I\* organizations, and it was noted this will also require the advance commitment of a number of enterprises to make this exercise a success.

The D-G reported that the open letter to ARIN, signed by the four RIRs, has been delivered to ARIN.

The DG reported on a structural reorganization of the APNIC Secretariat where the functions undertaken in the Communications Area are to be distributed to other operational areas.

The EC discussed an HR matter under terms of confidentiality

### **5. India NIR Update**

The EC reviewed recent correspondence on this matter.

### **6. EC Appointment to NC/AC for 2012**

The EC unanimously resolved to appoint Andy Linton to the NRO Number Council/ASO Address Council for a 12 month term commencing on 1 January 2012.

## **7. APNIC Membership Agreements**

The EC reviewed drafts of the APNIC Membership Agreement, the APNIC NIR Membership Agreements, and the APNIC Definitions document.

The EC unanimously passed the following motion:

The EC endorses the draft APNIC Membership Agreement, the draft APNIC NIR Membership Agreement and the draft APNIC Definitions documents, and requests that they be published for comment according to the APNIC Document Editorial Policy, with the proviso that the EC is to be provided with the opportunity to review all comments before final adoption of these documents.

## **8. Insurance Review Report**

The EC reviewed the Insurance Risk review report (attached).

The EC unanimously moved to accept this report.

*The meeting adjourned at 1:00 pm on Monday 12 December, and resumed at 9:00 am on Tuesday 13 December.*

## **9. EC Response to Working Group Reports**

The EC considered the report from the Membership Voting Rights Working Group as presented to the members meeting at APNIC 32, and the comments received following the presentation of this report. The EC noted that report has indicated that there was no clear consensus behind any particular proposal to alter the existing voting structure.

The EC unanimously passed the following motion:

The EC suspends the charter of the Membership Rights Voting Working Group and will use the forthcoming membership survey to poll APNIC members to establish whether the topic of potential changes to the voting and governance mechanisms for APNIC has the broad support of the membership.

The EC considered the report from the Government Engagement Working Group as presented to the members meeting at APNIC 32.

The EC unanimously passed the following motion:

The EC expresses its thanks to the Working Group for this final report. The EC now invites formal expressions of interest from governmental stakeholders in participating in this proposed body (such expressions of interest should be directed to the APNIC Director-General). The EC stands ready to host an inaugural meeting of a proposed Public Policy Advisory Committee, once there is a broad level of support across the economies in the APNIC region, as demonstrated through these expressions of interest.

## **10. Member Petition Process**

The EC unanimously passed a motion to accept the Member Petition Process (attached).

## 11. AOB

There were no matters raised under this agenda item.

### **Next Scheduled Meeting**

Thursday , 19 January, 2012 (Teleconference)

***Meeting closed: 11:10 am (UTC+1000) Tuesday 13 December 2011***

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# APNIC budget submission – Financial Year 2012

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## 1. Executive Summary

This document contains the submission for the APNIC budget for the financial year from January to December 2012. It includes revenue, expense, capital expenditure and cash flow projections based on the planned activities for 2012, projected membership growth, and other external variables including inflation and interest rate forecasts.

The purpose of this paper is to allow the Executive Council of APNIC to approve an expenditure level for 2012, in the manner as described in the APNIC By-Laws:

“to establish the basis for the budget of APNIC and determine, in the light of the decisions taken by the Members on the reports referred to in by-law 5(b) above, a ceiling for the expenditure of APNIC until the next AGM after considering all relevant aspects of the work of APNIC in that period” [APNIC ByLaws30(g)]

The budget submission includes allowances for incremental initiatives and provisions to be undertaken in 2012. The budget includes the effect of some existing APNIC members transitioning to the new NIR after Quarter 1 in 2012. The submission also documents an additional request for expenses to facilitate a new approach to training and development activities. This expenditure would be incurred on a cost-recovery basis, and there would be a corresponding increase in revenues to account for these expenses. In addition, a new position has been requested by the technical area to provide support to the system administration staff.

After accounting for these Provisions and Initiatives, Operating expenditure for APNIC for 2012 will be AUD \$15,731,149, and projected revenue would rise to AUD \$16,458,536, resulting in an anticipated surplus of up to AUD \$727,387 for 2012.

The Capital expenditure requirements for 2012 are \$1,252,190, including an allowance of \$55,000 for Office furniture and improvements during 2012.

**It is proposed that the Executive Council approve an expenditure ceiling to the Director General of \$16,983,339 for 2012 comprising; Operating Expenditure of AUD \$15,731,149 and Capital Expenditure of \$1,252,190.**

## 2. Environmental Assumptions for 2012

Continuing on from the issues identified in last year’s budget submission, it is clear that APNIC continues to see a number of major influences which will affect our future operational activities and financial status. These include:

- The implementation of the last /8 policy in 2011 has significant consequences for APNIC’s future membership income, with IPv4 allocations to new and existing member now capped at a /22.
- The possibility of inter-regional IPv4 transfers, if and when permitted by policies of other RIRs.
- Ongoing uncertainty about the rate of uptake of IPv6, which is still highly dependent upon availability of human resource capacity, as well as technical and commercial factors.
- Increasing demands on the APNIC Secretariat for external relations and public affairs resources, in response to developments in the area of Internet governance globally.

Because these factors are uncertain, this budget submission makes a number of assumptions about them and their impacts in the short (1-year) term.

These basic assumptions are summarised as follows:

- The establishment of the new Learning and Development Area will incur additional costs to support training and development events during 2012, particularly on IPv6. The business model for these events will allow an increase in activities to the extent that costs can be recovered. The impact of this is estimated to be an increase in expenses of \$593,250, which would be immediately offset by a similar increase in revenue.
- The introduction of the India NIR will have an effect on APNIC revenues, particularly in relation to Initial application fees during 2012. The budget includes a provision to account for the expected financial impact of this in 2012. The estimated impact of this a loss of \$332,820 of revenue in 2012.
- There will be significant activity in the technical area to support the development of the tools necessary to support the introduction of new NIR services. There is a provision for an additional FTE in the Software unit for this work in 2012. The estimated cost of this will be \$94,182 in 2012.

## 3. Financial Outlook 2012

### 3.1 Revenue Outlook

Membership fees in 2012 will reflect the strong membership growth seen during the 2011. Increases in allocations to new and existing members prior to the last /8 policy implementation will result in revenue growth in 2012, but this will be not continue into future years due to the impact of the last /8 allocation policies implemented during 2011.

It is assumed that Initial Application Fees will continue to reflect the strong membership growth, with around 95% of new members receiving an allocation and moving from associate to a membership tier in their first year of membership.

The interest rate climate in Australia is currently strong and rates for cash deposits are exceeding 5.50%. Recent moves by the Reserve Bank of Australia have signalled an easing of monetary policy and a cut of 25 basis points was announced in November and again in December, they have also signalled that future cuts are likely during 2012.

### 3.2 Expense Outlook

APNIC is currently implementing a new Enterprise Resource Management system to improve its internal processes and better integrate its key operational systems. The costs incurred in this project will be offset by significant improvement in reporting and control and the automation and integration of a number of critical processes and systems.

The Australian dollar continues to fluctuate against the USD and the Euro, but APNIC's exposure to any major exchange rate variations is limited only to those expenses that are incurred in US currency, most significant are the costs related to ICANN and the NRO.

CPI in Australia is running at 3.5% (Year ended Sep, 2012), but demand for skilled staff is very strong. It is anticipated that employee related costs will increase by 5% per head in 2012.

## 4. Financial Statements – Budget 2012

### 4.1 Ordinary Operations

#### 2012 Budget Submission

Account Group	Code	Budget	Forecast	Budget	Change
Revenue	Reporting Account	2011	2011	2012	%
	IP Resource Application Fees	1,128,316	1,363,934	1,193,732	-12.5%
	Interest Income	330,000	349,484	412,000	17.9%
	Membership Fee Income	12,511,220	12,904,746	14,080,258	9.1%
	Non-Member Fees	158,506	194,000	219,069	12.9%
	Per Allocation Fees	-	-	-	0.0%
	Reactivation Fees	16,063	24,900	27,390	10.0%
	Realised Foreign Exc Rate Gain/Loss	-	9,302	-	-100.0%
	Sundry Income	295,000	279,840	265,657	-5.1%
	<b>Total Revenue</b>	<b>14,439,105</b>	<b>15,107,602</b>	<b>16,198,106</b>	<b>7.2%</b>

Account Group	Code	Budget	Forecast	Budget	Change
Costs and Expenses	Reporting Account	2011	2011	2012	%
	Bank Charges	88,000	105,720	116,000	9.7%
	Communication Expenses	427,368	449,279	444,768	-1.0%
	Computer Expenses	593,415	440,000	573,812	30.4%
	Depreciation Expense	1,015,613	851,235	900,000	5.7%
	Sponsorship & Publicity Expenses	306,500	306,500	346,000	12.9%
	Doubtful Debts Expenses	5,677	21,855	25,000	14.4%
	ICANN Contract Fee	322,000	284,889	310,000	8.8%
	Insurance Expense	130,700	120,061	128,600	7.1%
	Meeting and Training Expenses	381,100	407,667	490,400	20.3%
	Membership Fees	68,300	68,300	70,400	3.1%
	Miscellaneous Expenses	1,050	1,050	1,000	-4.8%
	Office Operating Expenses	217,195	276,861	239,445	-13.5%
	Postage & Delivery	34,000	34,000	34,500	1.5%
	Printing & Photocopy	43,100	43,100	67,600	56.8%
	Professional Fees	885,350	783,344	900,350	14.9%
	Recruitment Expense	101,000	151,000	101,000	-33.1%
	Office Relocation Expenses	-	-	-	0.0%
	Rent & Outgoings	418,923	-	-	0.0%
	Salaries, Wages & Oncosts	7,406,255	7,350,000	8,071,421	9.8%
	Staff Training/Conference	151,727	151,727	159,313	5.0%
	Tax Expense	120,000	150,000	150,000	0.0%
	Translation Expenses	15,000	15,000	15,000	0.0%
	Travel Expenses	1,502,850	1,732,484	1,819,108	5.0%
	<b>Grand Total</b>	<b>14,235,123</b>	<b>13,744,072</b>	<b>14,963,717</b>	<b>8.9%</b>
	<b>Surplus/Deficit</b>	<b>203,982</b>	<b>1,363,530</b>	<b>1,234,389</b>	<b>-9.5%</b>

Account Group	Code	Budget	Forecast	Budget	Change
Capital Expenditure	Reporting Account	2011	2011	2012	%
	Equipment&Software	1,357,400	700,000	1,197,190	71.0%
	Office Improvements	15,000	-	20,000	0.0%
	Office Furniture	60,000	20,000	35,000	75.0%
	Property	-	-	-	0.0%
		<b>1,432,400</b>	<b>720,000</b>	<b>1,252,190</b>	<b>73.9%</b>

## 4.1 Initiatives and Provisions

### 2012 Budget Submission

Account Group	Code	Budget	Forecast	Budget	Change	Initiative	Initiative	Provision	Total Budget	Change
Revenue	Reporting Account	2011	2011	2012	%	L&D	New FTE	NIR	2012	%
	IP Resource Application Fees	1,128,316	1,363,934	1,193,732	-12.5%	-	-	204,629	989,103	-27.5%
	Interest Income	330,000	349,484	412,000	17.9%	-	-	-	412,000	17.9%
	Membership Fee Income	12,511,220	12,904,746	14,080,258	9.1%	-	-	128,191	13,952,067	8.1%
	Non-Member Fees	158,506	194,000	219,069	12.9%	-	-	-	219,069	12.9%
	Per Allocation Fees	-	-	-	0.0%	-	-	-	-	0.0%
	Reactivation Fees	16,063	24,900	27,390	10.0%	-	-	-	27,390	10.0%
	Realised Foreign Exc Rate Gain/Loss	-	9,302	-	-100.0%	-	-	-	-	-100.0%
	Sundry Income	295,000	279,840	265,657	-5.1%	593,250	-	-	858,907	206.9%
	<b>Total Revenue</b>	<b>14,439,105</b>	<b>15,107,602</b>	<b>16,198,106</b>	<b>7.2%</b>	<b>593,250</b>	<b>-</b>	<b>332,820</b>	<b>16,458,536</b>	<b>8.9%</b>
Account Group	Code	Budget	Forecast	Budget	Change	Initiative	Initiative	Provision	Total Budget	Change
Costs and Expenses	Reporting Account	2011	2011	2012	%	L&D	New FTE	NIR	2011	%
	Bank Charges	88,000	105,720	116,000	9.7%	-	-	-	116,000	9.7%
	Communication Expenses	427,368	449,279	444,768	-1.0%	-	-	-	444,768	-1.0%
	Computer Expenses	593,415	440,000	573,812	30.4%	-	-	-	573,812	30.4%
	Depreciation Expense	1,015,613	851,235	900,000	5.7%	-	-	-	900,000	5.7%
	Sponsorship & Publicity Expenses	306,500	306,500	346,000	12.9%	-	-	-	346,000	12.9%
	Doubtful Debts Expenses	5,677	21,855	25,000	14.4%	-	-	-	25,000	14.4%
	ICANN Contract Fee	322,000	284,889	310,000	8.8%	-	-	-	310,000	8.8%
	Insurance Expense	130,700	120,061	128,600	7.1%	-	-	-	128,600	7.1%
	Meeting and Training Expenses	381,100	407,667	490,400	20.3%	-	-	-	490,400	20.3%
	Membership Fees	68,300	68,300	70,400	3.1%	-	-	-	70,400	3.1%
	Miscellaneous Expenses	1,050	1,050	1,000	-4.8%	-	-	-	1,000	-4.8%
	Office Operating Expenses	217,195	276,861	239,445	-13.5%	-	-	-	239,445	-13.5%
	Postage & Delivery	34,000	34,000	34,500	1.5%	-	-	-	34,500	1.5%
	Printing & Photocopy	43,100	43,100	67,600	56.8%	-	-	-	67,600	56.8%
	Professional Fees	885,350	783,344	900,350	14.9%	-	-	-	900,350	14.9%
	Recruitment Expense	101,000	151,000	101,000	-33.1%	-	-	-	101,000	-33.1%
	Office Relocation Expenses	-	-	-	0.0%	-	-	-	-	0.0%
	Rent & Outgoings	418,923	-	-	0.0%	-	-	-	-	0.0%
	Salaries, Wages & Oncosts	7,406,255	7,350,000	8,071,421	9.8%	-	80,000	94,182	8,245,603	12.2%
	Staff Training/Conference	151,727	151,727	159,313	5.0%	-	-	-	159,313	5.0%
	Tax Expense	120,000	150,000	150,000	0.0%	-	-	-	150,000	0.0%
	Translation Expenses	15,000	15,000	15,000	0.0%	-	-	-	15,000	0.0%
	Travel Expenses	1,502,850	1,732,484	1,819,108	5.0%	593,250	-	-	2,412,358	39.2%
	<b>Grand Total</b>	<b>14,235,123</b>	<b>13,744,072</b>	<b>14,963,717</b>	<b>8.9%</b>	<b>593,250</b>	<b>80,000</b>	<b>94,182</b>	<b>15,731,149</b>	<b>14.5%</b>
	Surplus/Deficit	203,982	1,363,530	1,234,389	-9.5%	0	(80,000)	(427,002)	727,387	
Account Group	Code	Budget	Forecast	Budget	Change	Initiative	Initiative	Activity	Total Budget	Change
Capital Expenditure	Reporting Account	2011	2011	2012	%	L&D	New FTE	NIR	2011	%
	Equipment&Software	1,357,400	700,000	1,197,190	71.0%	-	-	-	1,197,190	71.0%
	Office Improvements	15,000	-	20,000	0.0%	-	-	-	20,000	0.0%
	Office Furniture	60,000	20,000	35,000	75.0%	-	-	-	35,000	100.0%
	Property	-	-	-	0.0%	-	-	-	-	0.0%
	<b>Total</b>	<b>1,432,400</b>	<b>720,000</b>	<b>1,252,190</b>	<b>73.9%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,252,190</b>	<b>73.9%</b>



## 4.2 After Initiatives and Provisions

### 2012 Budget Submission

Account Group	Code	Budget	Forecast	Total Budget	Change
Revenue	Reporting Account	2011	2011	2012	%
	IP Resource Application Fees	1,128,316	1,363,934	989,103	-27.5%
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	Salaries, Wages & Oncosts	7,406,255	7,350,000	8,245,603	12.2%
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	Tax Expense	120,000	150,000	150,000	0.0%
	Translation Expenses	15,000	15,000	15,000	0.0%
	Travel Expenses	1,502,850	1,732,484	2,412,358	39.2%
	<b>Grand Total</b>	<b>14,235,123</b>	<b>13,744,072</b>	<b>15,731,149</b>	<b>14.5%</b>
	<b>Surplus/Deficit</b>	<b>203,982</b>	<b>1,363,530</b>	<b>727,387</b>	

Account Group	Code	Budget	Forecast	Total Budget	Change
Capital Expenditure	Reporting Account	2011	2011	2011	%
	Equipment&Software	1,357,400	700,000	1,197,190	71.0%
	Office Improvements	15,000	-	20,000	0.0%
	Office Furniture	60,000	20,000	35,000	100.0%
	Property	-	-	-	0.0%
		<b>1,432,400</b>	<b>720,000</b>	<b>1,252,190</b>	<b>73.9%</b>

## 4.3 Cash Flows

### 2012 Budget Cash Flow

#### Cash flows from operating activities

Receipts from customers	16,026,879
Payments to suppliers and employees	- 14,981,149
	<b>1,045,730</b>
Interest Received	412,000
Income Tax paid	- 150,000
<b>Net cash inflow from operating activities</b>	<b>1,307,730</b>

#### Cash Flows from investing Activities

Payments for property, plant & equipment	- 1,252,190
Proceeds from sale of property plant & equipment	-
Proceeds from investments	19,657
<b>Net cash (outflow) inflow from investing activities</b>	<b>- 1,232,533</b>

#### Net increase/(decrease) in cash and cash equivalents

	75,197
Cash and cash equivalents at the beginning of the year	6,395,000
Effects of exchange rate changes on cash & cash equivalents	-
<b>Cash and cash equivalents at the end of the year</b>	<b>6,470,197</b>

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## 5. Budget Preparation Notes

### 5.1 Data Sources

The APNIC budget is developed based on a zero based budgeting process, with planned expenditures submitted by Area and Unit managers based on planned expenditure or contracted commitments. There are a number of inputs that are included as part of the budget process including:

- The APNIC member survey is used as an input for the 2012 operational plan and budget, along with the EC's response to the survey and its latest Strategic Planning results.
- The APNIC organisation structure and HR system provides expenditure breakdown for staff establishment level.
- The forecasts for expenses include all committed expenditures where these are known.
- The Asset Register and the Quantity Survey reports (related to the APNIC office building) have been used to calculate depreciation and capital allowance expenditure in 2012.
- Financial advice in relation to taxation liabilities has been provided by APNIC's taxation consultants.
- Membership derived revenues are forecast based on a detailed analysis of the existing membership base, forecast growth and the issues that will affect member revenues in 2012.
- Interest Income is calculated based on estimated cash holdings and forecast interest rates contained in the National Australia Bank's financial outlook report for 2012.
- Other revenue is calculated based on trend and variability analysis.

### 5.2 Projection techniques

The 03 reporting tool, developed and implemented in early 2008, gives management and the finance team access to expenditure and budget data through a simple user interface. This tool has proved very useful in aiding managers develop the 2012 budget submission as they have an accurate view of their current expenditure and can easily identify what commitments they have for 2012.

The Consumer Price Index survey shows that the inflation rate in Australia is running at 3.5%, as at the end of September 2012.

(<http://www.rba.gov.au/inflation/measures-cpi.html>)

## 6. APNIC Initiatives and Provisions 2012

### 6.1 Learning & Development

The APNIC Learning and Development Area, headed by Dr Philip Smith, was established in 2011 to carry responsibility for an increased range of education and consultancy related activities, in addition to APNIC's existing training services. In particular the high demand for neutral technical advisory and consultancy services which APNIC has experienced will be met on an as-needed cost-recovery basis, with a focus on the developing parts of the region. While the extent of demand is difficult to predict, the variable component of this activity is represented by an equal provision in APNIC's expense and revenue forecasts.

### 6.2 System Administrator

The Systems Administrator assists with the deployment, configuration and management of APNIC's computing services and infrastructure, including both internal and external services.

### 6.3 New NIR

This budget submission includes an estimate of the effect that the formation of the Indian NIR will have on APNIC's member revenue in 2012. The provision makes an assumption that the NIR will be in place by the end of quarter 1 in 2012, and new and existing members will begin transitioning to the new NIR after that time.

The secretariat is currently scoping a range of services that will be available to present and future NIR's, this project will require additional resource for 2012 on a contract basis.

## 7. Revenue 2012

The table below illustrates the revenue trend from 2005 through to 2012 and shows that the predicted increase for 2012 above 2011 is 8.9%.

The main factor in determining revenue growth is the growth of membership fee income, which as explained below largely reflects membership growth which occurred in the previous year (2011).

### Revenue Projection

Revenue (AUD)	2005	2006	2007	2008	2009	2010	2011 F'Cast	2012
IP Resource Application Fee	695,239	770,603	764,637	1,043,373	1,263,282	1,373,986	1,363,934	989,103
Interest	427,682	565,375	601,512	771,585	594,628	397,689	349,484	412,000
Membership Fees	4,871,202	5,491,250	6,102,907	6,701,840	7,843,441	10,199,249	12,904,746	13,952,067
Non-members Fees	96,283	120,110	142,764	125,268	126,215	149,382	194,000	219,069
Reactivation Fees	1,249	11,394	11,854	13,314	11,835	23,550	24,900	27,390
Sundry	176,869	242,458	212,215	230,455	154,708	205,760	270,538	858,907
Per-Allocation Fees	830,685	1,049,811	1,251,102	1,622,966	1,483,709	994,277	0	0
<b>Total</b>	<b>7,099,208</b>	<b>8,251,002</b>	<b>9,086,991</b>	<b>10,508,801</b>	<b>11,477,818</b>	<b>13,343,892</b>	<b>15,107,602</b>	<b>16,458,536</b>
<b>Increase</b>	<b>15.5%</b>	<b>16.2%</b>	<b>10.1%</b>	<b>15.6%</b>	<b>9.2%</b>	<b>16.3%</b>	<b>13.2%</b>	<b>8.9%</b>

### 7.1 Interest Income

Interest income has been calculated by analysing the anniversary dates and interest rates for existing investments and then forecasting based on predicted rates for 2012. Interest rates continue to be high at around 5.5%, but these rates are anticipated to decrease in 2012.

### 7.2 IP Application Fees

The revenue forecast for IP application fees is based on a projection of new members in 2012, and the assumption that all new members who receive an allocation in 2012 will pay this fee. An analysis of the APNIC member database highlights the fact that around 5% of APNIC members are from an economy designated as a United Nations LDC, so it is assumed that close to 95% of members pay the full rate for their initial allocation.

Due to the timing of the new NIR for India, a provision has been made to account for the effect on application fees for members receiving allocations from the NIR rather than APNIC.

### 7.3 Non Member Fees

Non-Member fee revenue is based on an analysis of the non-member holdings and has been adjusted to reflect the new fee schedule that was implemented in 2011.

### 7.4 Per Allocation Fees

Per Allocation fees are no longer applied, as all NIR and Confederation members are now billed under the new Member Fee Schedule introduced in 2010.

### 7.5 Reactivation Fees

Reactivation fees are very difficult to predict, and for this submission they are based on the average revenue over the last three years.

### 7.6 Sundry Income

Sundry fee revenue is derived from the following sources and is based on forecast estimates from the following:

- Investment distributions

- External training receipts
- Meeting & Sponsorship receipts

There has been a provision for a significant increase in income related to training and development activities, and this income will be offset against similar values for training related expenditure as part of the cost-recovery initiative.

## 7.7 Membership Fees

### 7.7.1 Membership Growth

Membership numbers have continued to grow, with a rate of 19.7% being achieved for 2011. The growth in 2011 reflected unexpected increased activity leading up to the introduction of the last /8 policy, but continues to defy expectations. For the purpose of this budget, the average of the last 2 years growth rate has been used, but this has been discounted by 20% to account for the abnormal activity early in 2011.

#### Membership Projection

Membershi	2004	2005	2006	2007	2008	2009	2010	Est 2011	2012
X-Large	8	8	9	9	12	13	15	20	20
V-Large	14	20	21	27	30	31	34	38	38
Large	60	56	70	75	92	106	137	146	146
Medium	164	196	210	233	251	276	320	366	372
Small	534	568	658	760	813	823	856	941	993
V-Small	123	174	261	298	346	472	622	792	1019
Assoc	75	135	133	169	313	449	484	650	829
<b>Total</b>	<b>978</b>	<b>1157</b>	<b>1362</b>	<b>1571</b>	<b>1857</b>	<b>2170</b>	<b>2468</b>	<b>2953</b>	<b>3417</b>
Growth		18.3%	17.7%	15.3%	18.2%	16.9%	13.7%	19.7%	15.7%

#### Membership Growth Projection

Membership	2005	2006	2007	2008	2009	2010	Est 2011	2011
X-Large	0	1	0	3	1	2	5	0
V-Large	6	1	6	3	1	3	4	0
Large	-4	14	5	17	14	31	9	0
Medium	32	14	23	18	25	44	46	6
Small	34	90	102	53	10	33	85	52
V-Small	51	87	37	48	126	150	170	227
Assoc	60	-2	36	144	136	35	166	179
<b>Total</b>	<b>179</b>	<b>205</b>	<b>209</b>	<b>286</b>	<b>313</b>	<b>298</b>	<b>485</b>	<b>464</b>
Growth		14.5%	2.0%	36.8%	9.4%	-4.8%	62.8%	-4.3%

### 8.7.2 Membership Revenue Calculation

Membership revenue is calculated by modelling the current resource holdings and membership anniversary dates for the entire membership. NIR and Confederations membership fees are based on the normal membership fees, to which a multiplier of 2.9 is applied.



## 8.3 Expenses ranked by % variation to 2012

### Expense Forecast - Analysis of change from 2011

Expenses (AUD)	2011(est)	2012	Change
Printing & Photocopy	43,100	67,600	56.8%
Travel Expenses	1,732,484	2,412,358	39.2%
Computer Expenses	440,000	573,812	30.4%
Meeting and Training Expenses	407,667	490,400	20.3%
Professional Fees	783,344	900,350	14.9%
Doubtful Debts Expenses	21,855	25,000	14.4%
Sponsorship & Publicity Expenses	306,500	346,000	12.9%
Salaries, Wages & Oncosts	7,350,000	8,245,603	12.2%
Bank Charges	105,720	116,000	9.7%
ICANN Contract Fee	284,889	310,000	8.8%
Insurance Expense	120,061	128,600	7.1%
Depreciation Expense	851,235	900,000	5.7%
Staff Training/Conference	151,727	159,313	5.0%
Membership Fees	68,300	70,400	3.1%
Postage & Delivery	34,000	34,500	1.5%
Tax Expense	150,000	150,000	0.0%
Translation Expenses	15,000	15,000	0.0%
Communication Expenses	449,279	444,768	-1.0%
Miscellaneous Expenses	1,050	1,000	-4.8%
Office Operating Expenses	276,861	239,445	-13.5%
Recruitment Expense	151,000	101,000	-33.1%
Office Relocation Expenses	-	-	
Rent & Outgoings	-	-	
<b>Total</b>	<b>13,744,072</b>	<b>15,731,149</b>	<b>14.5%</b>

#### 8.3.1 Printing and Photocopy

Printing and Photocopy costs will increase significantly in 2012 as the secretariat undertakes to update all banners, brochures and signage to incorporate the new Corporate Imaging

#### 8.3.2 Travel Expenses

Travel costs continue to increase as there was a greater requirement for increased representation at APNIC, RIR and other community events. Increased numbers of key staff travelling include the costs of APNIC's legal counsel and the new Learning and development Director. Whilst initial estimates for 2012 before accounting for the L& D initiatives will increase this cost by more than 5%, the secretariat is undertaking a review of travel policies and Area level budgets to ensure that this cost increase is capped at the 5% included in this submission. After accounting for the L&D initiatives this cost increase significantly by 39.2%, these additional costs will be offset by corresponding revenue increases.

#### 8.3.3 Computer Expenses

Computer expenses increase significantly over 2011 levels; the major increases are:

The full year impact of APNIC's new ERM system including some implementation and transition costs, this will include, payroll, HR, travel and expense management \$100k in 2012.



Other major expenses in 2012 include the following and where an “\*” is included this represents contracted or committed expenditure:

- NetAPP maintenance (shelf - controllers - snapmirror)*	54000
- Cisco Smartnet Maintenance*	50000
- F5 Maintenance*	37000
- Anycast service fees for NetNode (Autonomica)*	30000
- LUNA PED-AUTH SCAU10222 Maintenance (USD - BPKI)*	25000
- CMS SLA*	24000
- New Backup manager Zmenda	22500
- Backup maintenance*	22500
- RedHat - !JBoss x6*	18000
- Zenoss Commercial support license*	18000
- DNSSEC licensing costs*	16000
- SAN support contract	15000
- WebEX/ GoToMeeting licences	15000
- New Calendaring service	13000
- Software maintenance and Support	12000
- SugarCRM license	10000
- VOIP licensing costs	10000

#### 8.3.4 Meeting and Training Expenses

Meeting and training expenses increase significantly in 2012, causing this increase are the following:

- The February meeting in India will be more expensive than the meetings held in 2011
- The new meeting format includes an extra event Women in ICT dinner.

#### 8.3.5 Professional Fees

Professional Fees will increase for 2012; the major increases are the contribution to the ISIF program of \$100,000 which was not incurred in 2011, and the full year cost of In-house and external legal advice.

Major costs include:

• Provision for legal fees 2010(Including In-house)	155000
• F-root annual fee*	110000
• Accounting and Audit Fees*	88000
• Swinburne University Research*	50000
• Stakeholder Survey(including Expenses)*	47500
• PR Agency*	40000
• F-root new site establishment fee	33000

#### 8.3.6 Sponsorship and Publicity Expenses

Sponsorship and Publicity expenses will increase in 2012. APNIC’s portion of the NRO expenses will increase to \$105k in 2012. APNIC’ major contributions will be to the following:

• NRO Expenses APNIC Contribution (35.2% US\$ 275 -000)*	105000
• Donations/Sponsorships (excl APRICOT) *	70000
• IGF Meeting Sponsorship*	30000
• APRICOT 2012 Gold Sponsorship*	20000

• Promotional products	20000
• Fellowships*	15000
• RIPE Atlas Program*	15000
• New Building Signage	15000

### 8.3.7 Salary & Wages

Salary and wages expense including new Initiatives will increase by 12.2% in 2012. The budget contains allowances for 2 new positions in 2012, these positions are:

- Systems Administrator
- Contract Programmer/s - NIR Project

The salary budget includes an allowance of 5% to cover performance improvement, promotions, position changes and movement in the employment market; as well as the full annual salary cost for new positions that were approved during 2011.

There are 2 replacement positions that will be starting before January 2012, these were approved as part of the 2011 budget:

- Senior Network Engineer
- Hostmaster

All new positions are negotiated as fixed term 2-year contracts.

### 8.3.8 Bank Charges

Bank charges and particularly merchant fees resulting from credit cards continue to increase, reflecting ongoing membership growth and the trend towards credit card payments.

### 8.3.9 Insurance Expenses

Insurance expenses are currently under review, an allowance has been made to account for some changes that have been put forward as part of the Insurance review. Final costs will not be known until the recommendations of the review are costed as part of the renewal of APNIC's insurances in early 2012.

### 8.3.10 Depreciation Expenses

Depreciation expenses will increase to account for the depreciation related to new capital equipment to be purchased during the year.

### 8.3.11 Postage and Delivery

Delivery costs will increase to account for the costs of shipping equipment to the meetings in India and Cambodia

### 8.3.12 Communication Expenses

Communication expenses for 2012 are much more predictable going into 2012, as contracts relating to the core communication infrastructure for the APNIC offices and the Co-location facilities were finalised during the relocation of the APNIC Offices.

Major Expenses on 2012:

• PIPE fibre - Office - Soul – Interactive*	120000
• Office - Telstra 2MB/10MB Uplinks*	54000
• Interactive - Soul 50mb Up-link*	51408
• Interactive - 2x Rack Space*	44760

• Soul - 2x Rack space*	33600
• WebCentral - Dark fibre to EQUINIX*	25800
• HKIX - Hurricane Electric Up-Link*	24000
• 2xSecondary anycast in CN - IN - or KR (Up-link)*	24000
• Mobile phone for international access*	12000
• WebCentral - Peering to PIPE-IX *	12000
• 2xSecondary anycast in CN - IN - or KR (Rack/Power)*	12000
• ICT/Mobile exhibition in HK or Indonesia	10000

### 8.3.13 Office Operating Expenses

Costs related to running the APNIC facilities will reduce in 2012, the initial setup was completed during 2010 and 2011 and many new contracts have been negotiated to contain APNIC's costs.

## 9.Capital Expenditure 2012

### 9.1 CAPEX 2011

CAPEX spending on Equipment & Software was significantly below budget in 2011, the major CAPEX items included in the budget for 2012 are:

• 3xAnycast-Thincluster in CN - IN - or KR	168000
• Root Server/TTM deployment and replacements	150000
• File Storage and Server Hardware	120000
• Switches - 1xSoul - 2xWebcentral - 1xOffice - 2xUS	84000
• 1x HSM for BPKI & 2xHSM devices for RPKI	84000
• NetApp storage space - 2xShelf - disks	70000
• APNIC meeting network & video support	57000
• Routers - 2xUS	48000
• 12x Power-Connect M6220 switch for all the chassis	36000
• VOIP Replacement - new phones	35000
• 3x Blade servers to expand virtual server capacity	33000
• Allowance for new office furniture/fitting	30000
• Console servers - 1xWebcentral - 3xOffice - 1xUS	30000
• Power rails - 2xSoul - 1xWebcentral - 2xUS	30000
• Training Lab - upgrades and enhancement	30000
• RIPE-ATLAS controllers (x2)	25000

**Aon Risk Solutions**  
Global Risk Consulting  
Insurable Risk Profiling

# APNIC Pty Ltd

*Insurable Risk Profiling & Gap Analysis*

*Report*

*September 2011*





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## Executive Summary

### Introduction

During June 2011 Aon were engaged by APNIC Pty Ltd (“APNIC”) to facilitate an Insurable Risk Profiling and Insurance Gap Analysis project in order to prioritise and quantify the ‘insurable’ risks to which the organisation may be exposed, and, measure the response of APNIC’s current insurance program against these risks.

In close cooperation with APNIC’s management, Aon has ensured that these risks are fully considered in the terms of limits and scope of the organisation’s insurance program. Risks generally do not remain static and the insurable risk profiling and insurance gap analysis has been undertaken to ensure that all significant risks in APNIC’s risk profile are identified in order to allow the management team to have a better understanding of the potential impacts of insurable risks, how they are being financed, and determine the preferred strategy for financing these risks going forward.

A workshop was held on the 27th of July 2011, to assess a range of ‘insurable’ risks through the discussion of specific events occurring. The aim was to understand the potential financial impacts should a risk eventuate. In this workshop participants from APNIC and Aon collectively reviewed APNIC’s risks through the discussion of specific events occurring.

### Key Findings and Observations

Having successfully completed our initial risk review and risk profile, an insurance gap analysis has been conducted which measured the insurance response against each risk for APNIC. This highlighted the following key findings:

- 82% of risks perceived to be relevant to the group are at least ‘partially insured’ with 33% classified as ‘insured’. In our experience this is considered average from assessments completed with businesses of a similar nature. It is worth noting that these percentages should not be seen as a score out of a maximum of 100%. To the contrary, a score of 100% might suggest that an organisation is not using insurance in a selective fashion and may be ‘overinsured’.
- 15% of risks identified and assessed were deemed to be ‘Insurable, but presently uninsured’ by the APNIC’s current insurance programs. These risks should be reviewed by APNIC and Aon, and consideration given as whether APNIC wish to continue to self-insure them.
- All of the risks which are perceived to have a potentially ‘catastrophic’ impact on APNIC are ‘partially insured’ by current policies.

### Conclusion

A number of recommendations have been highlighted in the report that can be implemented to improve the alignment between APNIC’s insurable risks and its insurance program. Details are provided in Sections 2 and 3 of this report.

The key recommendations based on our understanding of APNIC’s risk priorities are listed below –

1. Confirm and enhance scope of coverage for APNIC’s insurance programs by informing insurer about the other activities (staff facilities, health services, home office) as well as tailoring some policy sub-limits where cost effective to do so. This recommendation refers to the area of Workers Compensation and APNIC’s existing Business Insurance policy (which provides cover for Public Liability).

2. The replacement cost as currently declared to insurers is based on the initial purchase price and investment made into the premises. It is feasible to complete a valuation of the asset at Cordelia Street to eliminate the risk of being underinsured. This type of exercise may also be useful for other purposes.
3. It has been found that both the Business Insurance and IT Liability Insurance have a liability section included in the policy. Aon is not the broker for the Business Insurance and we recommend that APNIC review the need for continuing to maintain both liability policies. If Aon was appointed broker for all of APNIC's insurances, we could align the cover under both policies to avoid any double-insurance.
4. In respect of risk "ABI-06 / Electronic Data", business continuity plans should be reviewed in terms of setting up back-up centre (or capability) overseas and conducting quarterly back-ups (explore opportunity to purchase off-peak data transfer time and conduct periodic back-ups e.g. to Asia).

Regarding service continuity, a number of risks or scenarios even though remote are conceivable; APNIC may wish to explore the opportunity to enter into reciprocal arrangements with similar service provider (covering other regions) or some of its own larger members.

5. Regarding APNIC potential liability towards 3rd parties (in particular towards non-members), it is recommended that APNIC jointly undertake scenario analysis with one of APNIC's members to work through the implications from a Liability to APNIC perspective. Aon could assist APNIC in this process.

In addition to the general recommendation above, consideration needs to be given to specific risks as listed below:

- 1) The risk "ABI-01/ Major event at head office" is partially insured as the cover for business interruption is not matching the risk in terms of limit. APNIC's current policy limit for additional increased cost of working is \$100,000 versus the validated loss estimate of \$4M for the risk. In addition, the current indemnity period of 12 months is potentially inadequate based on the discussion during the workshop. Expectation is that it may take up to 24 months to rebuild the building.

At APNIC's request Aon has reviewed the implications of amending the policy to incorporate the above change and we are confident that the current pricing can be maintained.

- 2) Risk "ABI-02/ Earthquake or natural hazards" is deemed to be partially insured as the Business Insurance policy wording specifically excludes flood, for which APNIC is currently self-insured. The definition of 'Flood' as defined in the policy is the covering of normally dry land by water that has escaped or been released from the normal confines of any lake, natural watercourse whether or not altered or modified and from any reservoir, canal, dam or channel. It is recommended that APNIC discuss with its broker what options are available to change or remove the 'Flood' exclusion.

There may be significant cost involved in affecting the above change and APNIC needs to give consideration to its exposure (in particular the likelihood of an event given its office and data centre locations), the robustness of its BCP (see also 3. above) and the fact that its revenue and cash generation capability may only be marginally impacted.

- 3) The risk "L-18/ Overseas activities" has been identified as partially insured. Any unintentional damage to third party property or personal injury resulting out of a travel activity of an APNIC employee will be covered under the Travel Insurance policy. Any similar liability however as a



result of APNIC's business activities (e.g. the hiring of a venue and staging of an event) would not be deemed to be 'travel activity' and hence the Travel policy will not respond. Equally the IT Insurance policy is not expected to provide cover as such activity would not fall under the 'provision of IT services'. The policy that should respond to this risk is the Public Liability section under the AMP Office Policy. This policy however has a restricted geographical coverage (anywhere in Australia or New Zealand). **This should only be a formality with little if any cost implications.**

Aon would be happy to assist APNIC in the implementation of recommendation and actions outlined above.

We trust that APNIC find this report informative and beneficial in determining an acceptable structure for the financing of insurable risks moving forward. We also take this opportunity to thank APNIC staff for their collective efforts and participation during this project.



## Section 1 – Insurable Risk Profiling

### Process

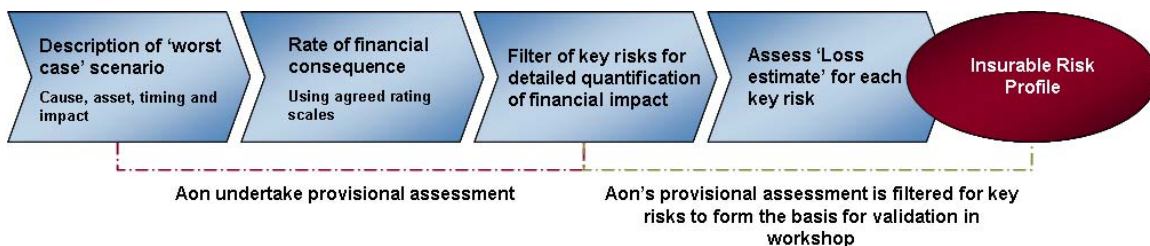
To commence the project a meeting was conducted with Richard Brown and Sing Burton to discuss APNIC’s operations, identify perceived areas of risk to the business and to establish a materiality threshold for risk. This culminated in the development of rating parameters (please refer to Appendix 1 for details) to allow for rating, prioritisation and quantification of risks during the subsequent workshop.

Following this initial meeting Aon reviewed a number of documents provided as part of the underwriting process, other risk information available in the public domain and our experience gained working with other clients operating in similar sectors to APNIC, the aim being to establish an initial register of risks.

As a result of this review, an initial risk register was developed which comprised seventeen (17) Asset and Business Interruption risks and nineteen (19) Liability risks. This register formed the basis for the workshop on the 27th July 2011.

During the session, the participants discussed the relevance of each risk to APNIC. All risks being considered relevant were then discussed in more detail. This covered risk source(s), cause(s) and impact(s) of a 'worst case' scenario. As a next step, their financial consequence was rated using the rating scales agreed. Diagram 1 below illustrates the process followed.

**Diagram 1 – Insurable risk profiling process**



Details of the rating parameters and terminology used, information sources reviewed, and participants involved during the project are included in Appendix 1 to this report.

The risk registers and details of the risk assessments are captured in Appendix 2 to this report.

Diagrams 2 and 3 overleaf illustrate the combined APNIC insurable risk profile for both Asset & Business Interruption risks and Liability risks.



Diagram 2 – Insurable Risk Profile - Assets & Business Interruption Severity – Worst Case Scenario (in \$k)

Top 15 Risks Only

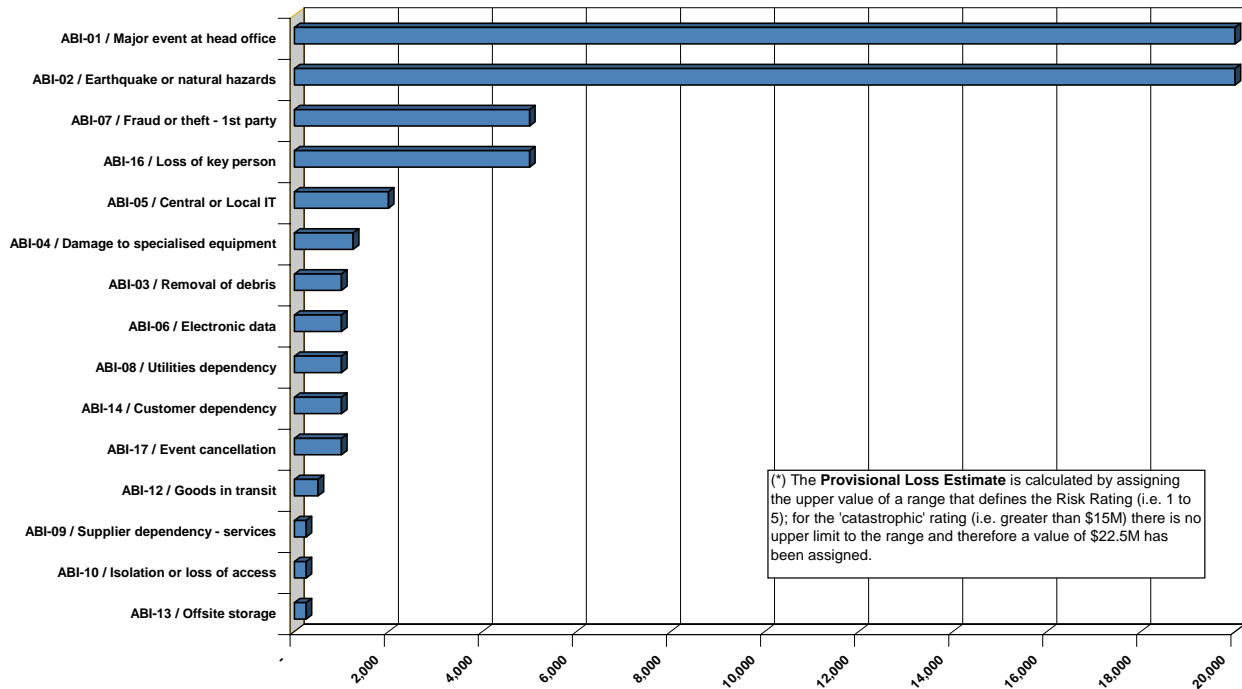
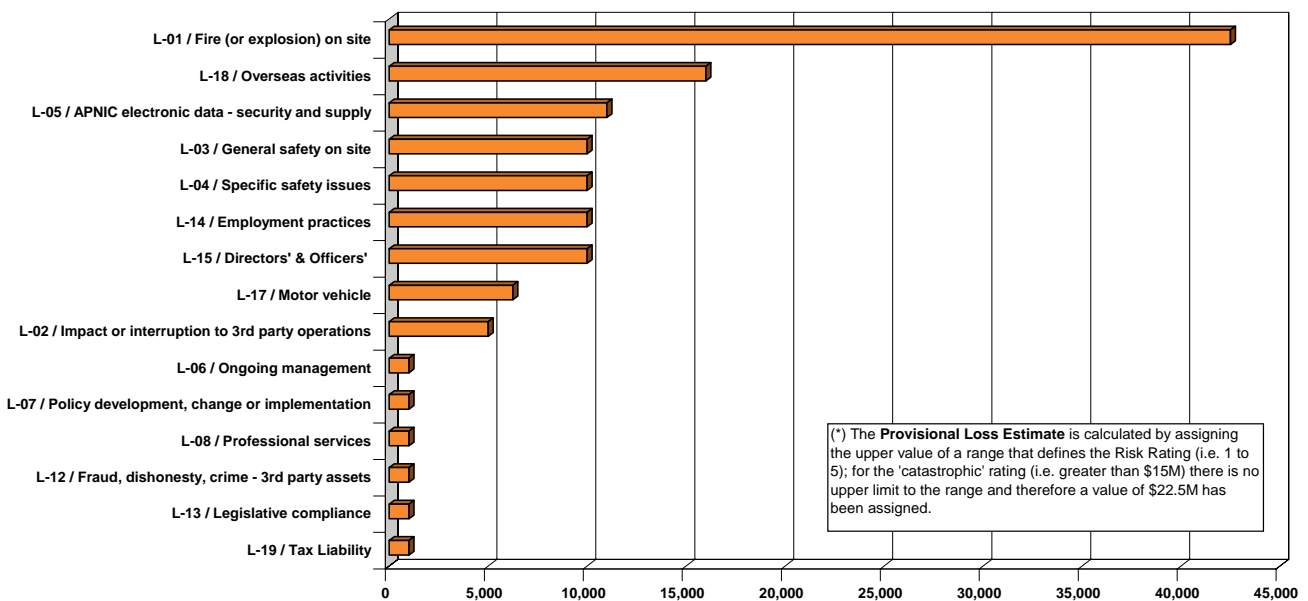


Diagram 3 – Insurable Risk Profile - Liability Severity - Provisional Combined 'Worst Case' (in \$k)

Top 15 Risks Only





## Section 2 – Insurance Gap Analysis

Following the risk assessment workshop Aon conducted an insurance gap analysis, the objective being to map the current insurance program (please refer to table in Appendix 1 for policies reviewed in completing this exercise) against the identified risks. This provides an understanding of the effectiveness of the current insurance program in transferring risks and allows the senior management team and board of directors to make informed decisions with respect to risk financing in order to achieve an optimum program structure.

Table 1 below describes how the insurance responses have been rated and should be interpreted.

**Table 1 – Insurance Responses**

Insurance Response	Comment
Insured	Expectation that insurance will respond to the risk in terms of causes as well as financial impacts. It needs to be noted though that every claim has to be assessed in terms of its individual circumstances to ascertain the specific insurance response.
Partially insured	Expectation that insurance is likely to respond to the risk in terms of causes as well as financial impacts. However, some policy conditions or limitations are in place that can be expected to reduce the effectiveness of the insurance response.
Insurable, but presently uninsured	Risk is insurable, however, currently is not insured. The reason for that needs to be evaluated e.g. limitations of cover available, risk pricing or APNIC's attitude towards risk management and its risk appetite.
Standard exclusion	Risk is subject to an exclusion that is standard in the insurance market.
To be reviewed	Other than any of the above and requiring further review.

Table 2 below presents an overview of the insurable risk portfolio with details of each risk captured within the risk profiles attached as Appendix 2.

**Table 2 – Insurable Risk Portfolio 2011 – APNIC Pty Ltd**

	Assets & BI	Liability
<b>Considered risks</b>	<b>17</b>	<b>19</b>
Risks that are insured	2	9
Risks that are partially insured	9	7
Risks that are insurable, but presently uninsured	5	0
Risks that need further review	1	0
Not considered relevant	0	3

**Diagram 4 – APNIC Pty Ltd - Insurable Risk Portfolio 2011**

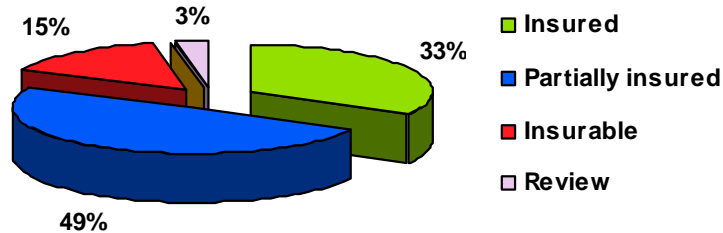


Diagram 4 illustrates how APNIC’s current insurance programs respond to the assessed risks. The key findings are that:

- 82% of risks perceived to be relevant to the group are at least ‘partially insured’ with 33% classified as ‘insured’. In our experience this is considered average from assessments completed with businesses of a similar nature.
- 15% of risks identified and assessed were deemed to be ‘Insurable, but presently uninsured’ by the APNIC’s current insurance programs. These risks should be reviewed by APNIC and Aon, and consideration given as whether APNIC wish to continue to self-insure them.
- All of the risks which are perceived to have a potentially ‘catastrophic’ impact on APNIC are ‘partially insured’ by current policies.

### Analysis of ‘Catastrophic’ Risks

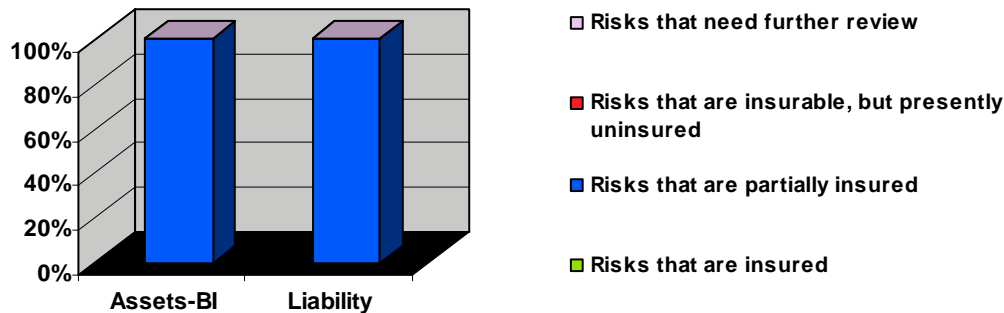
It is important also to review the risk portfolio in a prioritised fashion by considering the criticality to the continued operation and financial success of the business. Any risk that exceeds \$15,000,000 has been considered as potentially ‘catastrophic’ to APNIC. The insurable risk profiling exercise revealed a total of four (4) risks that could have this level of impact on the business.

Table 2 below show to what extent the current insurance programs for APNIC mitigate the risks and this is illustrated in Diagram 5.

**Table 2 – Current Mitigation of ‘Catastrophic’ Risks – APNIC Pty Ltd**

	Assets & BI	Liability
Risks that are insured	0	0
Risks that are partially insured	2	2
Risks that are insurable, but presently uninsured	0	0
Risks that need further review	0	0

Diagram 5 – Current Mitigation of ‘Catastrophic’ Risks – APNIC Pty Ltd



The four potentially catastrophic risks which are deemed to be partially insured are listed below:

- 1) The risk “ABI-01/ Major event at head office” is partially insured as the cover for business interruption is not matching the risk in terms of limit. APNIC’s current policy limit for additional increased cost of working is \$100,000 versus the validated loss estimate of \$5.2M for the risk. In addition, the current indemnity period of 12 months is potentially inadequate based on the discussion during the workshop. Expectation is that it may take up to 24 months to rebuild the building. It is recommended that APNIC advise current broker if cover enhancement should be explored.
- 2) Risk “ABI-02/ Earthquake or natural hazards” is deemed to be partially insured as the Business Insurance policy wording specifically excludes flood. The definition of 'Flood' as defined in the policy is the covering of normally dry land by water that has escaped or been released from the normal confines of any lake, natural watercourse whether or not altered or modified and from any reservoir, canal, dam or channel. It is recommended that APNIC discuss with current broker (or Aon) what options are available to change or remove the 'Flood' exclusion.
- 3) As there are liability sections under both the Business Insurance policy and the IT Liability Insurance policy, the risk “L-01/ Fire (or explosion) on site” could potentially be covered by both policies. However the AMP Business Insurance policy specifics seem to be out dated as there are a number of references to the premises in Milton previously occupied by APNIC. We recommend that APNIC review scope of coverage for both policies and discuss with brokers the necessity of having two liability policies concurrently.
- 4) The risk “L-18/ Overseas activities” has been identified as partially insured. Any unintentional damage to third party property or personal injury resulting out of a travel activity of an APNIC employee will be covered under the Travel Insurance policy. Any similar liability however as a result of APNIC’s business activities (e.g. the hiring of a venue and staging of an event) would not be deemed to be ‘travel activity’ and hence the Travel policy will not respond. Equally the IT Insurance policy is not expected to provide cover as such activity would not fall under the ‘provision of IT services’. The policy that should respond to this risk is the Public Liability section under the AMP Office Policy. This policy however has a restricted geographical coverage (anywhere in Australia or New Zealand). This needs to be adjusted.

It should be noted that overseas ‘provision of IT services’ (e.g. equipment hosted in many places for root services) is covered under APNIC’s IT Insurance.



There are further important actions on both critical as well as on non-critical risks captured in the 'Action Plan' included within Section 3 of this report. We recommend giving consideration to their implementation to ensure the effectiveness of the risk transfer to insurers, where this is intended by APNIC.



## Section 3 – Action Plan

In the approach to the 2012/2013 insurance renewal the insurable risk profile developed will become a key input into how the APNIC chooses to finance insurable risks. There are some important actions on non-critical risks that need to be implemented to ensure the effectiveness of the risk transfer to insurers and these have been captured in Table 3 below.

The action plan has been developed giving consideration to the group's risk retention capacity and appetite as well as the potential for particular risks to be transferred via insurance.

**Table 3 – Renewal 2012/2013 – Action Plan**

Risk Title (Ref)	Insurance Response	Comments	Actions	When
Fraud or theft - 1st party (ABI-07)	Partially insured	Corporation Fidelity Cover Extension: The policy will reimburse APNIC for Fidelity loss up to \$10,000.	Cover for this risk is not matching the risk in terms of the limit (\$10,000 cover versus potential loss between \$1M and \$5M). APNIC to advise Aon if cover enhancement should be explored.	ASAP
Loss of key person (ABI-16)	Partially insured	(1) The Travel Insurance Policy provides cover among others for up to \$250,000 for Kidnap and Ransom and also provides for sending alternate staff (limited to \$15,000); (2) Loss of key staff as a result of death / injury is currently not insured	Review need to arrange specific Keyman Insurance.	ASAP
Specific safety issues (L-04)	Partially insured	(1) Asbestos & Nuclear substances - Uninsured, standard exclusion in insurance policies; (2) Staff facilities on site, health services, home office & staff days - Assume this to be an insured activity; (3) Travel activity - Covered by travel insurance (upto \$5M); (4) Meeting attendees/visitors - Insured upto policy limit of \$20M.	Inform insurer about activities (staff facilities on site, health services, home office & staff days) and obtain confirmation that this is deemed to be part of APNIC's business activities.	ASAP



Risk Title (Ref)	Insurance Response	Comments	Actions	When
General safety on site (L-03)	Partially insured	<p>IT Liability - General &amp; Products Liability section \$20,000,000: Provides cover for personal injury, excluding that should be covered under the workers' compensation cover.</p> <p>Management Liability: Corporation Occupational Health &amp; Safety Extension will provides Defence costs cover for the company to attend any official investigation, enquiry or other proceedings. Cover up to \$500,000. Directors and officers' fines and penalties cover is up to \$500,000.</p>	<p>Fines and penalties has been rated as a '2' during the workshop however the Management Liability only provides cover up to \$500,000.</p> <p>APNIC to determine if higher limit for fines and penalties is required. The highest fines awarded in Australia to date are in the region of \$1.5M.</p>	Prior to renewal
Damage to specialised equipment & Central or Local IT (ABI-04 & ABI-05)	Partially insured	<p>Loss as a result of fire or water damage and malicious damage will be insured up to full policy limits; Rewriting of records covered up to \$50,000.</p> <p>Loss as a result of breakdown is not insured unless Policy Section 10: Equipment breakdown is arranged.</p>	<p>The risk is of limited consequence to APNIC and APNIC needs to review whether or not it is prepared to continue to self-insure its exposure to 'Equipment breakdown'.</p>	Prior to renewal
Supplier dependency – services (ABI-9)	Insurable, but presently uninsured	<p>Suppliers' or customers' premises extension is mentioned in the wording which would respond if supplier's operations are affected by a fortuitous event (e.g. a fire).</p> <p>The policy however seems not to provide APNIC with either insured for 'Loss of gross profit' or 'Loss of gross rentals'.</p>	<p>Cover can be included under the Policy Section 2, Business Interruption, however, the risk is of limited consequence to APNIC and APNIC needs to review whether or not it is prepared to continue to self-insure this risk.</p>	Prior to renewal





Risk Title (Ref)	Insurance Response	Comments	Actions	When
Isolation or loss of access (ABI-10)	Partially insured	<p>Section 2 - Business Interruption Gross profit: Not insured Additional Increased Cost of Working: \$100,000</p> <p>Cover provided on the basis that property limiting/hindering access to site has to be in the immediate vicinity of APNIC's premises; premises referred to in policy are 6 Cordelia Street in South Brisbane and 1/33 Park Road, Milton (in respect of Glass insurance only).</p>	<p>Cover can be extended under the Policy Section 2, Business Interruption, however, the risk is of limited consequence to APNIC and APNIC needs to review whether or not it is prepared to continue to self-insure this risk.</p> <p>Review need to maintain Glass Insurance (for Park Road, Milton).</p>	Prior to renewal
Tax Liability (L-19)	Partially insured	The Management Liability covers Taxation Investigation costs up to \$10,000	APNIC to review current limits and discuss with Aon if higher limit is required.	Prior to renewal
Event cancellation (ABI-17)	Insurable, but presently uninsured	Currently not insured. It is noted that for any major event, insurance would be needed on a specific per event basis, which APNIC has not obtained before.	<p>APNIC might want to either:</p> <ul style="list-style-type: none"> <li>a) Review the need for specific cover as and when major events come up; or</li> <li>b) Continue to self insure against this particular risk.</li> </ul>	As and when
Environmental (L-16)	Partially insured	<p>Management Liability covers Pollution defence costs up to \$300,000.</p> <p>Business Insurance and IT Insurance Liability covers sudden, accidental, instantaneous, identifiable and unexpected happening which takes place in its entirety at a specific time and place.</p> <p>No cover for gradual pollution - standard exclusion on all policies.</p>	<p>The current insurance response is reflective of the typical insurance arrangements made by a business with a risk profile such as APNIC's.</p> <p>It has been found that both the Business Insurance and IT Liability Insurance have a liability section included in the policy. Aon is not the broker for the Business Insurance and we recommend that APNIC review the need for continuing to maintain both liability policies. If Aon was appointed broker for all of APNIC's insurances, we could align the cover under both policies to avoid any double-insurance (see also 3. on page 3 in the Executive Summary).</p>	Prior to renewal



## Appendix 1 – *Additional Information*

### Participants

Name	Company	Title/Division
Richard Brown	APNIC Pty Ltd	Business Director
Connie Chan	APNIC Pty Ltd	Executive Assistant
Louise Tromp	APNIC Pty Ltd	HR Director
John Earls	APNIC Pty Ltd	Council Advisor
Paul Wilson	APNIC Pty Ltd	Director General
Craig Ng	APNIC Pty Ltd	General Counsel
German Valdez	APNIC Pty Ltd	Communications Director
Sing Burton	Aon Risk Services	Client Relationship Manager
Joerg Schmitz	Aon Risk Services	Head of Risk Consulting
Patricia Hor	Aon Global Risk Consulting	Analyst, Aon Global Risk Consulting



## Terminology and Rating Scales

<b>"Worst Case" Assumptions</b>	Risk assumptions which assist in calculating a Loss Estimate under worst case circumstances (e.g. failure of controls, timing of event, location).
<b>Loss Estimate</b>	Estimation of the financial impact assuming failure or absence of controls. Loss Estimate's are commonly used to establish policy limits.
<b>Assets</b>	Considers APNIC Pty Ltd assets owned, leased, chartered or hired (where APNIC Pty Ltd is responsible to insure).
<b>Business Interruption (Assets)</b>	Financial impact that flows from the loss of an asset. This may include tangible and intangible assets which are owned by or the responsibility of APNIC Pty Ltd or relied upon by them to achieve the organisation's financial objectives.
<b>Liability</b>	Considers compensation of third parties (incl. fines). Third parties may include joint venture partners.
<b>Property damage (Liability)</b>	Damage to physical property of a third party on APNIC Pty Ltd site (e.g. contractors, guests or visitors) or off-site (e.g. neighbouring businesses, council). The loss includes the consequential loss incurred by affected parties and claimed on the grounds of Common Law.
<b>Personal Injury (Liability)</b>	Injury or death sustained by a third party including employees. The loss includes the consequential loss incurred by affected parties and claimed on the grounds of Common Law.
<b>Pure Economic Loss (Liability)</b>	Where no injury or damage occurs to the particular third party, a liability can exist for monetary or economic loss. Note a Risk Score can also exist alongside for Property Damage or Personal Injury (e.g. separate parties affected by the incident).

**Table 2 - Rating scales (Financial impact)**

Risk Score	Severity Rating	Financial impact (in \$)	
		from	to
0	Minor	-	250,000
1	Moderate	250,000	1,000,000
2	Serious	1,000,000	5,000,000
3	Major	5,000,000	10,000,000
4	Extreme	10,000,000	15,000,000
5	Catastrophic	greater than 15,000,000	



## Appendix 2 – *Insurable Risk Profile*

Refer to attachment.



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## About Aon

Aon Corporation (NYSE: AON) is the leading global provider of risk management services, insurance and reinsurance brokerage, and human capital consulting. Through its more than 36,000 colleagues worldwide, Aon delivers distinctive client value via innovative and effective risk management and workforce productivity solutions. Aon's industry-leading global resources and technical expertise are delivered locally through more than 500 offices in more than 120 countries. Named the world's best broker by Euromoney magazine's 2008, 2009 and 2010 Insurance Survey, Aon also ranked highest on Business Insurance's listing of the world's largest insurance brokers based on commercial retail, wholesale, reinsurance and personal lines brokerage revenues in 2008 and 2009. A.M. Best deemed Aon the number one insurance broker based on brokerage revenues in 2007, 2008 and 2009 and Aon was voted best insurance intermediary, best reinsurance intermediary and best employee benefits consulting firm in 2007, 2008 and 2009 by the readers of Business Insurance. For more information on Aon, log onto [aon.com](http://aon.com).

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*DRAFT*

*November 2011*

## **APNIC Petition Process**

**Objective:** To define a process that Members may follow to bring matters for consideration at a general meeting of APNIC Members

**Consideration:** The APNIC By-Laws (Part IV, Paragraph 5, (g)) notes that members of APNIC "have the right to convene Special Meetings by way of a petition signed by not less than one-quarter (1/4) of the votes of the entire membership".

This provision implies that in convening such a meeting, a specific resolution can be put to the members for a formal vote, in accordance with the APNIC Bylaws. It also implies that a specific resolution can be brought to any meeting of the members, according to the same petition process.

## **The Petition Process**

It is proposed that the petition process be divided into two parts: 1. Raising a Petition, and 2. Circulating the Petition for membership support. It is proposed that both parts of this process be conducted electronically, using the MyAPNIC Members' portal.

### **1. Raising a Petition.**

A Petition may be raised by an APNIC Member by submitting a petition request to the Chair of the APNIC Executive Council via the MyAPNIC member portal.

The petition should clearly set out the wording of the resolution that is proposed to be moved by the Member at the general meeting. The Member may, but is not required to, provide a statement supporting the proposed resolution. The proposed resolution, together with the supporting statement, must not exceed 1,000 words in total, and must not contain defamatory material.

The Chair of the Executive Council will review this petition, and may work with the petitioner to ensure that the petition is clear, and conforms to the By-Laws of APNIC, and is consistent with the objects of APNIC.

The Chair of the Executive Council may delegate this petition review function to staff of the APNIC Secretariat, as determined by the Chair.

### **2. Circulating the Petition for Membership Support**

The petition shall be posted to a petition area of the MyAPNIC portal for the purpose of gathering membership support.

Members may use a facility in MyAPNIC to sign their support to the petition. The signing of support by a member shall use the number of votes that the member is entitled to by virtue of their membership tier.

A Petition shall be open for signing for a period of exactly one calendar month from the date of posting, unless otherwise determined by the Chair of the Executive Council.

At the close of the Petition period the Secretariat shall report to the Membership of the outcome of the petition. A petition shall be deemed to have passed if at the time of the close of the petition period the number of member votes of support for the petition shall be no less than one quarter of the total number of votes of the entire membership.

### **Scheduling Membership Consideration of the Petition**

If a Petition is passed more than 30 days before a scheduled Member Meeting, then the proposed resolution set out in the Petition will be scheduled into the agenda for the ensuing Member Meeting. Otherwise, the proposed resolution set out in the Petition will be scheduled into the agenda of the Member Meeting immediately following the ensuing Member Meeting.

The provisions of the APNIC By Laws shall apply to any Member Vote relating to the adoption of the Petition: (APNIC By-Laws, Section 23: "All matters other than election or removal of Council members or the amendment or repeal of these by-laws or the review or amendment of any decision of the Executive Council, shall be determined by a majority of the votes cast. All elections of Council members shall be determined by a plurality of the votes cast, and in the event of a tie, a re-casting of votes is to take place. The removal of a Council member or the amendment or repeal of these by-laws or the review or amendment of any decision of the Executive Council shall each require the affirmative vote of two-thirds (2/3) of the votes of the entire membership as paid-up 48 hours before the meeting.")"