Item 2: Insurance Strategy

SESSION TYPE: Workshop

PURPOSE/DESIRED OUTCOME:

The purpose of this workshop is to provide Councillors with an overview of Queenstown Lakes District Council's Insurance Strategy, current insurance market conditions, loss modelling outcomes, and to seek directional feedback to inform future insurance purchasing decisions, including the November 2026 infrastructure insurance renewal.

DATE/START TIME:

Tuesday, 25 August 2026 at 11.00am

TIME BREAKDOWN:

Presentation: 40 minutes
Questions *or* Debate/Discussion: 20 minutes

PRESENTERS:

Gareth Noble - Assurance & Risk Manager, QLDC
Matthew Wilson - Aon General Manager Corporate, Central Region
Ellie Jude - Aon Senior Risk Consultant
Sally Parker - Aon Associated Director

Prepared by:

Name: Gareth Noble
Title: Assurance & Risk Manager

14 August 2026

Reviewed and Authorised by:

Name: Katherine Harbrow
Title: General Manager Assurance, Finance & Risk
14 August 2026

ATTACHMENTS:

A	Presentation Outlining QLDC's Insurance Strategy
B	QLDC's Insurance Strategy 2026 **(page 13)**
C	Aon Presentation - Insurance Market Conditions **(to be circulated 24 August, to provide up-to-date info on market conditions)**
D	Aon Presentation - South Island Council: Probabilistic Loss Modelling Earthquake **(page 76)**

Attachment A: Presentation Outlining QLDC's Insurance Strategy

Insurance Strategy 2026

Council Workshop 25 August 2026

Gareth Noble - Assurance & Risk Manager

QUEENSTOWN LAKES DISTRICT COUNCIL

QUEENSTOWN LAKES DISTRICT COUNCIL

Development of Insurance Strategy 2026

Moving from a Transactional to a Strategic approach to Insurance

- During 2024 and 2025 Council engaged a fixed-term Senior Insurance Advisor to undertake a comprehensive review of Council's insurance programme.
- This work included the development of an Insurance Strategy, review of catastrophic event cover and loss modelling arrangements, consideration of climate change implications for insurance, analysis of the interface between insurance and government recovery funding, and evaluation of the collective insurance arrangements.
- Updates in relation to the development of the Insurance Strategy have been reported to the existing Audit, Finance and Risk Committee and Risk and Assurance Committee (April 2026).

- It was originally intended that the Insurance Strategy would be considered at a Council workshop on 2nd June 2026 (as part of a broader workshop on risk management). However, it was delayed to allow a more detailed consideration of risk appetite at the 2nd June 2026 workshop.

QUEENSTOWN LAKES DISTRICT COUNCIL

Why insurance matters

Insurance is positioned as part of QLDC’s broader resilience and risk-financing framework – Risk Transfer.

Financial resilience

Provides access to recovery funding following catastrophic events and material losses.

Essential services

Supports service continuity and recovery planning for critical Council assets.

Ratepayer impact

Helps reduce volatility by transferring selected loss exposures to insurers where cost-effective.

Governance alignment

Connects purchasing and retention decisions to legal obligations, risk appetite and long-term financial sustainability.

Evidence base

Uses valuations, loss modelling, exposure analysis and benchmarking to inform insurance decisions.

Strategic framework

The strategy is underpinned by three connected pillars.

Drivers

Legislation, government funding arrangements, asset growth, WSCCO transition and insurance market conditions.

Risk profile optimisation

Accurate valuations, loss modelling, gap analysis and clarity on uninsured or self-insured exposures.

Strategic purchasing

Collective procurement, insurer relationships, market engagement and targeted risk transfer options.

Key strategic drivers

The insurance programme needs to respond to a changing risk and operating environment.

Water services CCO transition

Asset ownership, endorsements and future policy settings need careful transition planning.

Government funding mechanisms

NEMA* and NZTA** settings influence how QLDC funds recovery and residual exposure.

Insurance market conditions

Market softening creates opportunities, but asset growth can offset premium reductions.

Natural hazard exposure

Catastrophic event risk remains a core driver for infrastructure cover.

Legislative obligations

Insurance decisions must align with statutory stewardship and financial sustainability obligations.

Data and valuation quality

Reliable valuations and exposure data are critical to purchasing decisions.

* The National Emergency Management Agency (NEMA) operates under a reimbursement-based recovery model rather than a risk transfer mechanism like insurance. Under this arrangement, the Crown funds **60% of eligible reinstatement costs** for essential underground infrastructure following a declared emergency

** The Funding Assistance Rate (FAR) regime administered by Waka Kotahi NZ Transport Agency determines the proportion of emergency works costs subsidised by NZTA. QLDC's normal FAR is 51%, with enhanced FAR available for major events. Enhanced FAR adds 20 percentage points to the normal FAR (51%), making the subsidy **71%**, - QLDC's share would be **29%**.

Current insurance portfolio

The programme combines catastrophic infrastructure cover, asset protection, liability and specialist policies.

Infrastructure natural catastrophe

SICC collective programme
Three Waters infrastructure focus

Designed alongside Government recovery settings

Liability programme

General and public liability
Statutory and professional liability

Defence costs and damages subject to policy terms

Material damage and business interruption

Council-owned buildings and assets

Business interruption where operations are disrupted
Supports recovery from physical loss

Other cover

Motor vehicle, crime, drone and hall hire

Public art and cyber are under review

Options assessed against self-insurance

November 2025
Insurance Premium
~$1.9M

April 2026
Insurance Premium
~$1.8M

What is not insured?

Uninsured exposures require an explicit rationale and regular review.

Exposure	Strategic rationale / current action
Roads and bridges	Recovery pathway primarily linked to NZTA funding mechanisms rather than commercial insurance. Options currently being investigated for critical/strategic routes (e.g. Edith Cavell Bridge).
Public art	Valuations and quotations requested so coverage can be considered.
Cyber	Historically not purchased due to cost and exclusions; currently reviewing options based on market conditions.
Certain catastrophe losses	Residual exposure remains with Council and needs to be considered through financial resilience planning.

South Island Council Collective (SICC)

Collective purchasing is a core mechanism for catastrophic infrastructure risk transfer.

Territorial Authorities

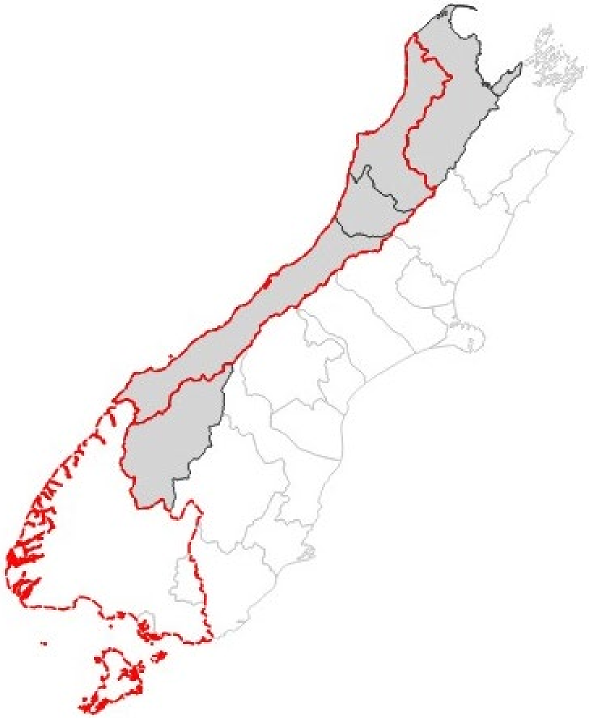
- Buller District Council
- Grey District Council
- Queenstown Lakes District Council
- Westland District Council

Regional Councils

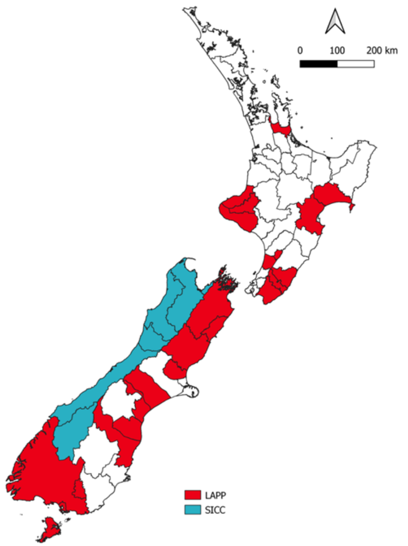
- Environmental Southland
- West Coast Regional Council

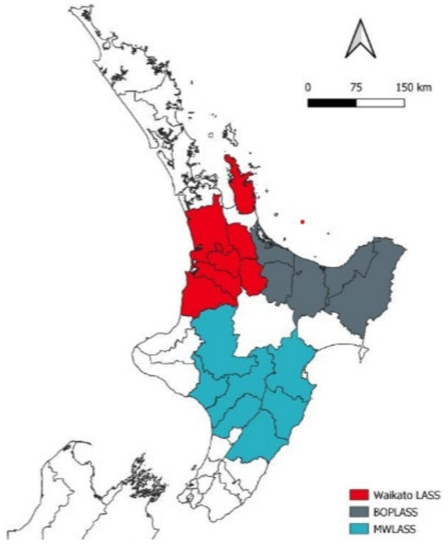
Unitary Authorities

- Nelson City Council
- Tasman District Council



One of several collective's that form programme





SICC strategy

Collective purchasing is a core mechanism for catastrophic infrastructure risk transfer.

Collective leverage

Participation in the South Island Council Collective supports access to broader market capacity.

Government funding logic

The programme is designed with recovery funding settings in mind, including the 60/40 NEMA model.

Loss modelling

Updated earthquake and flood modelling supports appropriate sub-limits and programme decisions.

Strategic intent

Maintain collective participation while improving data quality, legal agreement clarity, programme governance and market engagement.

Transfer of assets to WSCCO

At the November 2026 renewal, the infrastructure policy could remain unchanged and continue to cover Council-owned assets (including those to be transferred to a WSCCO in July 2027). When the Water Services Council-Controlled Organisation (WSCCO) becomes operational on 1 July 2027, it could be added mid-term as an insured entity under the existing policy. This would ensure that all Three Waters assets remain protected against natural catastrophe and business interruption risks until the new structure is fully operational. Premium costs will be on charged.

SICC Collective Agreement (NEW)

Providing clarity in the event of a multi-Council event.

Procure collective insurance cover

The agreement records formation with intent to procure collective insurance cover.

MC.

Agreement for Collective Insurance Cover

Queenstown Lakes District Council

Buller District Council

Environment Southland

Grey District Council

Nelson City Council

Tasman District Council

West Coast Regional Council

Westland District Council

WSCCO Participation

The agreement provides for new membership and the amalgamation/restructure of SICC members.

Claims management

Provides terms and conditions of participation, including the terms on which insurance cover will be procured, renewed and operate, and how claim proceeds will be calculated for Participating Councils if a Catastrophic Event occurs.

Emerging strategic opportunities

The next phase is about targeted evaluations.

Parametric insurance

Potential fast-pay earthquake liquidity based on predefined triggers.

Bridge cover

Consider opportunities to incorporate bridges (strategic routes) into programme

Cyber insurance

Reassess cost, exclusions and control investment trade-offs in the current market.

Public art cover

Use valuations and quotes to compare fine arts cover against self-insurance.

Insurer relationships

Position QLDC as a well-governed and data-informed buyer.

Consider Group Opportunities

Coordinate cover strategy with WSCCO and QAC.

QLDC Insurance Strategy 2026

Author	Bridget Allen (Senior Insurance Advisor)
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Approved by	Katherine Harbrow (General Manager Assurance, Finance & Risk)
Effective date	January 2026
Next review	TBC

CONTENTS

1 EXECUTIVE SUMMARY

The Queenstown Lakes District Council (**QLDC) Insurance Strategy 2026** sets out a comprehensive framework to strengthen financial resilience, ensure compliance with statutory obligations, and optimise risk financing in an evolving market environment. This strategy supports continuity of essential services and protects Council assets amid increasing natural hazard risks and the transition of water services to a Council-Controlled Organisation by 2027.

Context

Global and national insurance markets remain volatile due to natural catastrophes, cyber threats, and economic uncertainty. While recent softening in the London market offers opportunities for improved terms, QLDC's growing asset base and legislative obligations require a deliberate, evidence-based approach to risk transfer. The Strategy reflects organisational changes, including the planned transition of Three Waters assets to a Council-Controlled Organisation (CCO) by 2027, and ensures compliance with the Local Government Act 2002.

Purpose

Insurance is a critical component of QLDC's resilience framework. With significant exposure to natural hazards and responsibility for essential services, the Council must secure adequate financial resources for recovery while minimising ratepayer impact. This Strategy aligns insurance decisions with risk appetite, legal requirements, and long-term financial sustainability.

Summary of Key Sections

This Strategy is underpinned by three pillars: Strategic Pillars

1. Drivers – Legislative obligations, CCO transition, government funding mechanisms, and market conditions.
2. Risk Profile Optimisation – Accurate valuations, loss modelling, and identification of uninsured exposures.
3. Strategic Purchasing – Strengthen insurer relationships, leverage collective procurement, and raise risk maturity.

Key Recommendations

- Maintain continuity of participation in collective programmes and build long-term relationships with reputable insurers, leveraging shared procurement opportunities.

- Implement accurate asset valuations and update risk profiles annually to ensure adequate coverage and minimise uninsured exposures.

- Evaluate parametric earthquake insurance and cyber cover to address emerging risks and climate resilience.
- Align insurance strategy with government funding mechanisms to reduce reliance on premium-based recovery.
- Establish regular reporting to elected members on insurance performance, market trends, and financial resilience indicators.

2026–27 Action Focus

- Complete updated earthquake and flood loss modelling to calibrate collective programme limits.
- Maintain clarified “each-and-every loss” structure with unlimited reinstatements at nil additional premium under the SICC programme.
- Prepare staged endorsements for the Water Services CCO transition (go-live July 2027) to avoid coverage gaps.
- Embed 6 monthly reporting to Risk and Assurance Committee on premiums vs asset growth and uninsured exposures.
- Continue evaluation of parametric and Excess of Loss options post-modelling to strengthen resilience.

Implications for QLDC

This strategy positions QLDC to manage risk proactively, balancing cost efficiency with robust coverage. It acknowledges premium pressures from asset growth despite market softening and ensures flexibility during the CCO transition. By embedding risk management and leveraging collective arrangements, QLDC can maintain financial stability and service continuity for its community.

Insurance - Current Policies and Insurance Market Conditions

Insight

Strategic Clarity
Evidence & Analysis
Informed Perspectives

Market Conditions

The insurance market is currently softening, driven by strong financial performance, fewer major disasters and increased competition among insurers. As a result, premiums are declining and more favourable terms available.

For councils, this means:

- Previously unaffordable cover may now be within reach.
- There's an opportunity to renegotiate pricing and coverage.
- Regular reviews ensures insurance remains fit for purpose and cost effective.

1 Infrastructure Natural Catastrophe Policy- (SICC)

The SICC (South Island Council Collective) Policy covers underground Three Waters assets (water, wastewater, stormwater) infrastructure against natural catastrophes such as earthquakes, floods, and storms.

This policy is shared with seven other councils, covering around 40% of total asset value. This collective approach enables us to obtain coverage and access government funding, 60% through NEMA in the event of a significant event

2 Material Damage and Business Interruption

Covers damage to Council owned buildings, assets, and helps with financial loss if operations are disrupted.

3 Liability

Covers a range of liability risks including Employers' liability, General liability, public liability, Statutory liability and Professional indemnity

These policies protect the Council against claims arising from injury, negligence, or legal breaches, covering defence costs and damages

4 Other

Motor Vehicle Insurance, Crime, Drone and Hall Hire insurance.

Insurance - What's not covered and what we are working on or considering

What's not covered?

Roads, Bridges, and Cycle Lanes

- In the event of a qualifying emergency (e.g. earthquake, flood, or severe storm), transport infrastructure such as roads, bridges, cycleways, and walkways may be eligible for reinstatement funding through Waka Kotahi NZ Transport Agency's Emergency Works programme (Work Category 141)
- Funding supports like for like reinstatement to 'modern standards'
- To qualify, the event must be sudden and severe, significantly impact safety or access, and cost at least $100,000 per event per council
- Covers both response and recovery, with clear processes for assessment, documentation, and funding application

What's not covered?

Cyber Insurance

- We are currently assessing our cyber risk through detailed questionnaires and expect quotes shortly to determine if cost effective coverage is possible (in the past investing in controls over cover was recommended)

What's not covered?

Fine Art (including public art)

- Not insured currently due to high premiums, we continue to reassess the risk v cost

What We Are Working on or Considering

- SICC Legal Agreement (between member Councils)
- Loss Modelling (recently completed in advance of November renewal)
- Parametric Insurance (provides quick payouts based on predefined event triggers (like earthquake intensity), offering financial certainty and speed without needing traditional loss assessments)
- Climate Change Risk Scenarios
- Transition to a Water Services Council-Controlled Organisation (CCO) – Implications for Insurance

Foresight

Strategic Clarity
Evidence & Analysis
Informed Perspectives

2 INSURANCE AS A RISK MANAGEMENT TOOL

Insurance is a risk transfer mechanism that provides greater certainty of financial outcomes following adverse events. By transferring specific risks to an insurer, Council can manage volatility, protect its balance sheet, and maintain service continuity in the face of disruption.

Selecting the right approach to insurance is a critical part of Council's business for the following reasons:

- The Local Government Act (2002) requires councils to disclose insurance and risk financing arrangements in their annual report (Schedule 10, clause 31A) as part of prudent financing management. While the Act does not mandate specific insurance requirements, it expects councils to demonstrate how financial risks associated with asset loss are managed (see **Section 5.1: Legal and Regulatory Requirements**).
- The annual costs of transferring risk through insurance represent a significant expense for Council. In recent years, the rising cost of insurance has required us to critically evaluate QLDC's insurance programme to ensure it remains financially sustainable and does not place undue pressure on rates.
- The council's approach has focused on aligning coverage with our actual risk exposure, rather than pursuing blanket coverage.
    - Purchasing insurance that does not effectively manage Council's actual risks, is an ineffective use of ratepayer revenue.
    - Conversely, entering into insurance arrangements that fail to provide the required financial resources when needed can have significant adverse impact on the community it serves.

In 2024, our Risk Management Policy was updated to more clearly articulate our organisational risk appetite. This Insurance Strategy is therefore guided by that Policy, ensuring that decisions around coverage, deductibles, and risk retention are consistent with our broader risk management framework.

In a softening insurance market, our overriding strategy is to prioritise premium reductions, while remaining open to improved terms where these offer justified benefits in risk transfer. This approach balances cost management with the need for robust coverage. At this stage, additional cover has not been sought for uninsured losses (e.g. Cyber Security and Public Art), however, it is recommended that cover be contemplated. This is particularly relevant given the organisation's reduced borrowing headroom, which limits our capacity to absorb significant unplanned losses.

3 INTRODUCTION

RISK MANAGEMENT OVERVIEW

QLDC undertakes a diverse range of activities and faces a wide range of risks which can affect the organisation's ability to meet its objectives as outlined in the Long-Term Plan. It is the organisation's responsibility to identify these risks and determine appropriate responses. There are various risk management options available as outlined in QLDC's Risk Management Policy, including:

- **Retain the risk-** an informed decision is made to retain or accept the risk without treatment based on the fact that existing controls are judged to be sufficient to mitigate the risk
- **Additional Controls-** additional treatment or control actions need to be implemented to reduce the inherent risk level.
- **Avoid the risk-** actions are taken to avoid the risk by deciding not to start or continue with the activity or to remove the risk source.
- **Transfer the risk-** actions are taken to transfer the risk (e.g. through contracts, buying insurance) or to pass responsibility for treatment to another agency.

Risk management involves selecting from the above options to modify the risk to a residual level that is acceptable to the organisation based on its risk appetite.

However, what has worked up until today, might not work for tomorrow and beyond. Risk management methods evolve, and their effectiveness can vary significantly over time. An increase in the cost of one method, e.g., the cost of risk transfer, can act as a stimulus for the development or application of alternative methods, such as enhancements in risk reduction or informed risk acceptance.

4 INSURANCE STRATEGY OBJECTIVES AND PRINCIPLES

The Core Objective of QLDC's insurance strategy is to **'***ensure the required financial resources are available when needed to help Council recover from catastrophic events and unforeseen losses, while ensuring that any risk transfer is carried out in a cost effective and prudent manner that best serves the community'.*

To achieve this objective, Council's Insurance Strategy considers internal and external drivers, ways to optimise Council's risk profile, and methods of strategic purchasing that extract the most value from insurance markets. The high-level framework guiding the development of the Insurance Strategy is shown below.

Drivers

- Critical elements of internal and external context that influence the optimal insurance strategy.

Risk Profile Optimisation

- Methods to improve the effectiveness, transparency and cost-effeciency of internal decisions around risk and insurance.

Strategic Purchasing

- Methods of engaging with insurance markets to extract maximum value from risk transfer.

Key principles based on this framework are outlined below. These are expanded upon in the following sections.

Drivers	Risk Profile Optimisation	Strategic Purchasing
Meeting Council's legal and regulatory obligations under the Local Government Act 2002 and other legislation. Meeting commercial market, legal or contractual requirements. Council's size, financial position, assets, activities, Long-Term Plan and internal policies. Potential funding and support from Central Government is understood and considered. Insurance market dynamics and factors such as market pricing, coverage and capacity deployment are considered. There is regular monitoring and reviewing changes to both the internal and external environment and adapting the strategy to impacts of the changes.	The Council's Risk Management Framework sets the overarching basis of Council's approach to insurance. Insurable exposures are accurately identified, analysed, evaluated when considering options for risk management. Decision-making around the scope of insurance and key insurance parameters (e.g., limits) are transparent and evidence based. Decision-making considers Council's risk appetite / tolerance and legal or contractual requirements. Assumptions that underpin decisions are regularly reviewed and tested to ensure they remains valid and fit for purpose.	Council continues to build strong relationships with its broker and insurers, focussing on long-term partnerships. Broker's insurer selection methodology considers financial strength, diversification, and levels of market competition. Council and its broker continue to leverage memberships as part of shared services groups (collectives) to take advantage of shared procurement. Council and its broker continue to raise risk management maturity to respond to future potential for limited insurance availability in some markets or for certain exposures. Council and its broker engage in proactive risk communication and relationship management with insurers to demonstrate our risk management approach and differentiate our profile.

5 DRIVERS

Overview

Drivers are the internal and external factors that influence Council's insurance decisions and require ongoing management to ensure alignment with legislative, contractual, organisational and market requirements.

Drivers

- Critical elements of internal and external context that influence the optimal insurance strategy.

FROM: Transactional Approach	TO: Strategic Approach / Principles	The Journey so Far
Unsure whether decisions align with Local Government requirements, or other legal and contractual requirements	Council's responsibilities under the Local Government Act 2002 and other legislation are considered. Commercial and **contractual** obligations are understood and considered.	Ongoing review of the impact of existing and new legislation and contracts on risk and insurance requirements and decisions.
Unique council factors, e.g., size, and financial position, not considered.	Council's size, financial position, assets, activities, Long Term Plan and internal policies are considered.	Ongoing review of these factors in existing and future risk transfer
Limited understanding and consideration of funding from Central Government.	Potential funding and support from Central Government is considered and factored into insurance decisions.	Maintained awareness of benefits and limitations from Central Government.
Same approach regardless of insurance market dynamics.	Insurance market conditions, such as market pricing, coverage and capacity are monitored and incorporated into decision making.	Ongoing awareness and consideration of insurance market dynamics
Strategy stays the same. Insufficient monitoring and review of internal and external environment.	Regular monitoring and review to allow the strategy to adapt to changes in the internal or external environment.	Development of formally documented Insurance Strategy.

5.1 LEGAL AND REGULATORY REQUIREMENTS

QLDC's insurance decisions must align with legislative and regulatory obligations under the Local Government Act 2002 and other statutes. While very few policies are legally mandated, many are strongly recommended to protect the Council from financial and operational risk. Insurance is a critical component of prudent financial management. Rising insurance costs and the need for sustainable risk financing require decisions that align coverage with actual risk exposure and Council's risk appetite—avoiding both unnecessary spend and gaps that could adversely impact the community when losses occur. The following table summarises the legal position for key policy types.

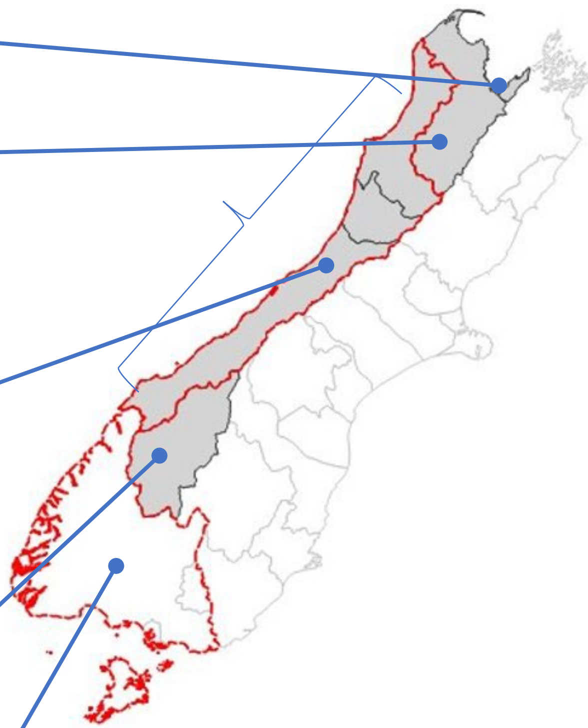
Policy Type	Legally Required?	Notes
Infrastructure	No	Under current NEMA funding arrangements, the Crown funds up to 60% of eligible repair and rebuild cost for locally owned essential infrastructure following an emergency, local authorities are responsible 40%.
Employers Liability	No (statutory duties apply)	Not legally required but recommended. Covers claims not covered by the Accident Compensation Corporation (ACC) (e.g., mental injury, gradual process disease).
Public Liability	No	Not legally mandated but often required by contracts or leases. Essential for third-party injury/property damage.
Statutory Liability	No	Covers defence costs and some fines for unintentional breaches of statutes. Some fines (e.g., under Health & Safety at Work Act) are uninsurable.
Professional Indemnity	No	Not legally required, but crucial for councils providing professional advice or services.
Material Damage & Business interruption	No	Not legally required. Strongly recommended to cover asset protection.
Commercial Motor	No	Not legally required in NZ. Strongly recommended to cover council fleet for liability and damage risks.

5.2 TRANSITION TO COUNCIL-CONTROLLED ORGANISATION (CCO)

New Zealand's water sector is undergoing its most significant transformation in decades. Under the Local Water Done Well reform, councils have confirmed their preferred delivery models, setting the direction for how water services will be managed into the future. The below figure summarises the new delivery model for each of the existing members of the Collective Infrastructure Natural Catastrophe Policy – South Island Collective Council (SICC) (further details of the existing Policy are outlined in Section 7).

Our SICC Collective

- **Nelson City Council:** Retaining **in-house delivery** under its approved Water Services Delivery Plan.
- **Tasman District Council:** Also retaining **in-house delivery**, confirmed in its adopted plan.
- **Buller, Grey, Westland (West Coast Councils):** Forming a **multi-council Water Services Organisation (WSO)** through a joint Council-Controlled Organisation (CCO). Their plan has been approved and implementation is underway (West Coast Regional Council maintains responsibility for flood defences and river management assets).
- **Queenstown Lakes District Council:** Establishing a **stand-alone Water Services Organisation (WSO)**, with implementation scheduled by 2027.
- **Environmental Southland:** Retaining responsibility for flood defences and river management assets (no Southland City or District Council part of the collective).



The establishment of a standalone water services entity as a CCO will require significant adjustments to existing insurance arrangements.

Short Term - as is

The Water Services CCO will not be operational until 1 July 2027. Until then, existing insurance arrangements can remain unchanged, while preparatory work is undertaken to identify which assets will transfer to the CCO and which will remain under Council ownership

Renewal - as is:

At the November 2026 renewal, the infrastructure policy could remain unchanged and continue to cover Council-owned assets (including those to be transferred to a WSCCO in July 2027). When the Water Services Council-Controlled Organisation (WSCCO) becomes operational on 1 July 2027, it could be added mid-term as an insured entity under the existing policy. This would ensure that all Three Waters assets remain protected against natural catastrophe and business interruption risks until the new structure is fully operational.

At the November 2027 renewal, insurance provisions could be realigned to reflect the revised ownership and asset structure, which could include removing the Council from the existing collective policy if it no longer retains any relevant assets (or those assets are low in value). This staged approach avoids unnecessary disruption and ensures continuous cover throughout the transition period. This will involve separating council-retained assets from those managed by the CCO.

At the time of writing, it is unclear what the intention is of other members of the collective agreement (WSCCOs and Councils with in-house delivery models). It is therefore intended that QLDC's Assurance & Risk Team work closely with QLDC's Water Services CCO Establishment Team to understand the most appropriate approach for QLDC (who would hold some legacy assets covered under the Policy) and WSCCO. Other options for cover, which may be relevant for QLDC and/or the WSCCO are outlined in Section 8.

CCO Insurance Requirements:

The CCO will need to secure its own standalone material damage and business interruption insurance for above-ground water assets and any associated infrastructure under its control. This is essential to ensure risk transfer and financial resilience independent of the council. It is recommended that any Statement of Expectations for a WSCCO outline QLDC's expectations for insurance provisions to ensure alignment with QLDC's insurance strategy and associated risk appetite model.

Council Insurance Considerations:

The council may need to maintain cover for assets it retains, such as storm water networks associated with roading assets, and any other water infrastructure not transferred to the WSCCO. Clear delineation of responsibilities and insurance coverage will be critical to avoid gaps or duplication.

This transition impacts both infrastructure and material damage policies and requires close collaboration between the council, the WSCCO, and insurers to ensure comprehensive risk management.

This strategy highlights the need to clarify stormwater assets ownership under the CCO transition, as this decision is critical for insurance planning, liability allocation, and asset valuation.

5.3 QLDC EMERGENCY WORKS AND INFRASTRUCTURE GOVERNMENT FUNDING

Emergency works and infrastructure funding is a critical component of QLDC's resilience and recovery strategy. The district faces significant exposure to natural hazards such as flooding, landslides, and seismic events, which can cause sudden and severe damage to roading networks and underground infrastructure. Unlike insurance, these government funding mechanisms provide a financial safety net for assets that are either uninsured or impractical to insure—such as roads and bridges. However, the funding is reimbursement-based, requiring QLDC to have sufficient cashflow capacity to pay upfront and manage delays that can extend for months or even years. Strategic planning is therefore essential to minimise financial risk, leverage enhanced funding rates, and ensure compliance with eligibility requirements. These arrangements complement QLDC's insurance programme and reduce reliance on ratepayers, making them a cornerstone of the Council's approach to disaster recovery and long-term financial sustainability

NZTA EMERGENCY WORKS FUNDING (WORK CATEGORIES 140 & 141)

NZTA provides reimbursement-based funding for emergency works on roading, bridges, walkways, and cycleways following severe weather or natural disasters. While this support significantly reduces financial exposure, QLDC must pay costs upfront and manage delays in reimbursement, which can range from months to over a year. Accurate asset ownership and classification are essential for eligibility**.**

The Funding Assistance Rate (FAR) regime determines the proportion of emergency works costs subsidised by NZTA. QLDC's normal FAR is 51%, with enhanced FAR available for major events. Enhanced FAR adds 20 percentage points to the normal FAR (51%), making the subsidy **71%**, - QLDC's share would be **29%**. In summary this regime provides the following:

- Council pays upfront; reimbursement occurs post-approval.

- Minor events (<$100k) partially funded; major events may qualify for enhanced FAR at 71%
- Cashflow management is critical due to delays (months to over a year).
- Only QLDC-owned or managed assets are eligible (roads, bridges, cycleways, walkways).
- Cycleways and trails must be correctly classified for eligibility; off-road trails outside the legal road reserve are generally excluded unless formally adopted by Council.

PROACTIVE RESILIENCE UPGRADES (NZTA WORK CATEGORIES 341, 322, 324, 357)

In addition to emergency works, NZTA funds proactive resilience upgrades to strengthen vulnerable assets before disasters occur. These programmes include low-cost improvements, structural upgrades, and resilience-focused works, often requiring alignment with the Regional Land Transport Plan (RLTP) and National Land Transport Programme (NLTP).

- NZTA categories 341, 322, 324, 357 fund safety, resilience, and efficiency improvements.
- Projects >$2m require a business case aligned with RLTP/NLTP priorities.
- Crown Resilience Programme provides targeted funding ($419m over 7 years) $279m for state highways, $140m for local roads, including walking and cycling infrastructure.

NEMA RECOVERY FUNDING

The National Emergency Management Agency (NEMA) operates under a reimbursement-based recovery model rather than a risk transfer mechanism like insurance. Under this arrangement, the Crown funds **60% of eligible reinstatement costs** for essential underground infrastructure following a declared emergency, while councils are responsible for the remaining **40%**. Unlike insurance, NEMA does not provide upfront payments or cover for all types of losses—it only applies to specific assets (e.g., water, wastewater, stormwater) and excludes betterment or gradual deterioration. Insurance provides immediate financial certainty and reinstatement cover for declared assets, whereas NEMA funding is subject to eligibility criteria, approval processes, and delays in reimbursement. Councils must therefore maintain sufficient liquidity to meet upfront costs and manage timing risks.

- 60:40 government-council split for essential underground infrastructure (water, wastewater, stormwater, retaining walls).
- Eligibility tied to council ownership, emergency damage, and asset criticality.

KEY STRATEGIC IMPLICATIONS FOR GOVERNMENT FUNDING

- Emergency works funding is reimbursement-based; upfront investment must be planned.
- Updating Activity Management Plans by 30 June 2027 is required to secure enhanced FAR.
- Accurate asset ownership classification is essential for cycleways and trails.
- Proactive investment reduces future emergency costs.

- Further detail on eligibility and application processes is provided in **Appendix C**

5.4 ACCIDENT COMPENSATION CORPORATION (ACC)

In New Zealand, the Accident Compensation Corporation (ACC) provides no-fault personal injury cover for most accidents involving employees, contractors, and the public. Once ACC accepts a claim, the injured party generally cannot sue for damages, which means personal injury is excluded from most liability insurance policies.

For QLDC, this significantly reduces the need to insure against personal injury risks, lowering overall liability exposure. However, ACC does not cover everything, for example, mental harm not linked to physical injury or occupational diseases caused by gradual exposure. These residual risks may still require Employers Liability insurance to ensure full protection.

5.5 FINANCIAL RESILIENCE INFORMATION

To support the development of a robust insurance and risk financing strategy, QLDC is currently completing a financial analysis to provide advice on Council's financial capacity and funding pathways should a catastrophic incident occur (e.g., an Alpine Fault earthquake). This analysis will be incorporated into future insurance strategies to ensure alignment between insurance purchasing, risk retention and council's overall financial resilience.

Council is assessing its financial resilience and flexibility in the event of catastrophic loss. This includes understanding:

- The funding sources that could be accessed or reallocated quickly to support recovery;
- How a significant reduction in revenue would affect borrowing capacity and recovery financing
- The ability to adjust capital investment priorities to restore critical infrastructure; and
- The potential impact of a catastrophic event on existing revenue streams and overall financial sustainability

5.6 CURRENT MARKET CONDITIONS AND OPPORTUNITIES

Understanding current market conditions is critical to shaping an effective insurance strategy. Market dynamics influence premium rates, coverage availability, and insurer appetite, all of which affect the cost and scope of risk transfer. By monitoring trends such as capacity shifts in the London market, pricing movements, and underwriting approaches, the Council can leverage favorable conditions to secure improved terms, optimise coverage, and maintain financial resilience.

WHY THE LONDON MARKET MATTERS

QLDC's infrastructure insurance is predominantly placed through the Lloyd's of London market, rather than local insurers. This is because Lloyd's offers significantly greater capacity (the amount of risk an insurer can accept) and competitive pricing for large, complex risks like underground infrastructure. Local markets often lack the scale or appetite for these exposures, whereas Lloyd's syndicates specialise in catastrophe risk and can provide broader coverage and higher limits.

Lloyd's is also regarded as one of the most secure insurance markets globally, operating under strict regulatory oversight and backed by a robust financial security framework. Each syndicate is supported by the Lloyd's Central Fund—a mutual pool designed to protect policyholders if a syndicate fails—providing an additional layer of security and confidence in claims payment.

What is Stamp Capacity?

Each Lloyd's syndicate has a "stamp capacity," which is the maximum amount of premium it can write in a given year. Growth in stamp capacity signals that syndicates are willing to deploy more capital, increasing competition and improving terms for buyers like councils.

LLOYD'S MARKET PERFORMANCE UPDATE (FROM AON BROKER PRESENTATION)

- 2023 Lloyd's posted its strongest results since 2007, with a combined ratio of 84%. This means Lloyd's paid out $0.84 in claims and expenses for every $1 of premium earned—a sign of strong profitability and financial stability. A lower ratio indicates strong profitability and financial stability.
- Results were buoyed by a 'light' natural catastrophe year globally, making 2023 the quietest year for major claims at Lloyd's in a decade.
- Confidence in market performance has led to 7% growth in stamp capacity for 2024- meaning syndicates can write more business and offer larger limits
- **With US market conditions easing, syndicates have shifted focus to international markets to maintain renewal premium and achieve growth.**

WHAT DOES THIS MEAN FOR NZ? SHIFTING MARKET FOCUS

- **Pricing Shift:** Saturated capacity for ANZ risks triggered a turning point in Q3 2024. For the first time in years, underwriters offered **rate reductions on clean renewals** (policies without claims). This trend accelerated into 2025, with reductions across all occupancies.

SHIFTS IN UNDERWRITING APPROACHES

- London markets are now prepared to go backwards in rate.

- Appetite for longer stretches in primary layers (e.g., increasing a NZD $50M layer to NZD $100M), which can eliminate layers and deliver significant pricing savings.
- Broader coverage options are now available for clients. Greater alignment and consistency in pricing across placements.

IMPLICATIONS FOR QLDC

- Clean claims history can be leveraged for rate reductions.
- Consider restructuring insurance layers to benefit from market appetite.
- Review asset valuations and coverage scope to align with broader offerings.

FUTURE CONSIDERATIONS: ASSET GROWTH VS. MARKET CONDITIONS

Current market conditions suggest that, for like-for-like renewals, where exposures and asset values remain unchanged, QLDC could expect premium reductions, particularly given our clean claims history and the softening rate environment. However, QLDC is experiencing growth across several key metrics, including employee numbers, infrastructure (both above and below ground), and our vehicle fleet. These factors directly influence the rating basis for several policies.

As a result, while market conditions are favourable, the increase in insurable exposures may lead to premium adjustments. It’s important to recognise that any premium uplift is not necessarily a reflection of market movement, but rather a response to our expanding asset base and associated risk profile. **Appendix A summarises QLDC’s insurance policy metrics.**

5.7 RECOMMENDATIONS IN RESPONSE TO DRIVERS

To ensure the insurance strategy remains prudent, effective and aligned with Council objectives, the following actions are recommended:

A. Transition Planning

1. Identify which assets will transfer to the WSCCO and which will remain with QLDC.
2. Evaluate insurance options for assets retained by QLDC post-transition.

B. Government Funding & Financial Preparedness

3. Maintain detailed asset ownership records to determine NZTA/NEMA funding eligibility.
4. Update Activity Management Plans by **30 June 2027** to secure enhanced FAR.
5. Integrate cashflow planning into budgets to manage reimbursement delays.
6. Ensure correct classification of cycleways and trails for funding eligibility.

C. Market Strategy & Placement

7. Leverage clean claims performance to pursue rate reductions and improved terms.
8. Continue shared procurement via **SICC** and maintain proactive marketing.

D. Data Quality, Valuations & Modelling

9. Maintain current, valid asset valuations and schedules.
10. Support collective loss modelling to calibrate limits and structure.

E. Risk Appetite & Compliance

11. Ensure purchasing decisions remain evidence-based and reflect Council's risk appetite.

F. Resilience & Operational Planning

12. Plan proactive resilience upgrades in line with Work Category frameworks.
13. Track emergency works and insurance claims to optimize combined funding and coverage.

6 RISK PROFILE OPTIMISATION

Overview

Risk Profile Optimisation ensures that Council's insurance programme is aligned with actual exposures, supported by robust risk management, and calibrated to deliver fit-for-purpose coverage at sustainable cost.

Risk Profile Optimisation

- Methods to improve the effectiveness, transparency and cost-effeciency of internal decisions around risk and insurance.

FROM: Transactional Approach	TO: Strategic Approach / Principles	The Journey so Far
Risk management and insurance procurement are handled independently.	Risk Management is the overarching basis of Council's approach to insurance.	Risk Management framework and processes developed and implemented. Continuous work to embed risk into strategy, planning and daily decisions
Potential mismatch between exposures and insurance covers purchased. Limited consideration of other options.	Insurable exposures are identified, analysed, evaluated when considering options on risk management.	Insurable Risk Profiling exercise undertaken.
Decisions based on historical approaches or standard for policy types.	Decisions around the scope of insurance and key insurance parameters (e.g. limits) are transparent and evidence based.	Natural hazard Probable Maximum Loss assessment for infrastructure assets completed. Earthquake modelling for infrastructure assets currently underway.
Asset values and loss modelling outdated or not fit for purpose.	Assumptions that underpin decisions are regularly reviewed to ensure they remain valid and fit for purpose.	Regular Asset valuations are performed for underground infrastructure and above ground assets.

6.1 INSURANCE CONSIDERATIONS

Underlying assumptions and evaluation criteria applied in the formulation of this strategy are detailed in **Appendix B**. This includes factors such as coverage options, cost comparison, reserve requirements, and ensuring the asset valuations and asset schedules used are current, valid and reflect true replacement costs.

6.2 INSURANCE TYPES AND CLAIM TAIL LENGTHS

Understanding the duration and complexity of insurance claims—known as the 'tail'—is critical for strategic risk financing decisions. Claim tail length influences whether risks can be cost-effectively transferred to insurers or retained internally. This section explains the characteristics of short-tail and long-tail policies and their implications for self-insurance, reserve planning, and overall financial resilience

Short-tail claims are typically settled within one to two years, because they're resolved quickly and costs are more predictable. Long-tail claims, on the other hand, can take many years to resolve. These often involve legal or regulatory processes that emerge well after the loss.

Statutory Liability -Claims can take 3 to 10 years to resolve, especially where regulatory investigations are involved. Because of the legal complexity and potential delays, QLDC would need substantial reserves if self-insuring this risk.

Professional Indemnity -Claims often arise years after advice or services are delivered, especially in cases involving design flaws or negligence. These are long tail by nature and difficult to self-insure without robust financial planning and legal support.

General Liability -This includes both short-tail and long-tail risks. While many claims (like slips and falls) settle quickly, others such as those involving disease or delayed injury can take years. ACC covers most personal injuries, but QLDC must still plan for exposures not covered.

Material Damage and Business Interruption insurance- generally fall into the short-tail category, as physical damage and associated business interruption losses are usually assessed and settled within one to three years. However, large-scale events can extend timelines where reinstatement is delayed or involves significant construction.

Infrastructure Natural Catastrophe insurance- tend to have much longer tails. Claims for underground water, wastewater, and stormwater networks following major natural disasters can take several years to resolve due to engineering complexity, dependency on government funding, and the need for detailed loss modelling. These extended timelines require robust financial planning and highlight why infrastructure risks are rarely suitable for self-insurance without substantial reserves

Vehicle Insurance -Most claims are settled within 1 to 3 years. Bodily injury is generally covered by ACC, and property damage is predictable. This makes vehicle insurance a good candidate to reduce costs, QLDC is unable to self-insure completely due to legal requirements, but could reduce cover.

Business Travel Insurance -Claims for delays, medical emergencies, or lost luggage are typically resolved quickly. With low financial exposure and short-tail claims, this is one of the easiest policies to self-insure.

Drone Liability - Most claims under drone liability cover are short-tail, typically involving third-party property damage or minor operational incidents. However, certain exposures—such as privacy breaches or regulatory disputes—can extend the claim duration, introducing potential long-tail risk. While these risks are generally manageable, QLDC should remain aware of the implications for governance and compliance.

Employers Liability -This is one of the longest-tail policies, with claims sometimes taking 20 years or more, especially for occupational diseases or psychological injuries not covered by ACC. Self-insuring this risk is complex and requires long-term planning, legal expertise, and substantial reserves.

Approach

Short-tail policies like Vehicle and Travel insurance are generally easier to self-insure. They offer predictable costs and timelines, and ACC coverage reduces exposure for personal injury. Long-tail policies, such as professional indemnity, statutory liability, and employers' liability, are much harder to self-insure. Their unpredictability and extended duration mean councils need strong financial planning, long term claim management strategies and legal support to manage these exposures effectively. At this stage, QLDC has elected to maintain cover for Vehicle and Travel insurance for the November 2025–2026 policy period due to favourable premium terms. This approach will be reviewed again prior to the November 2026 renewal to determine whether continued external cover remains cost effective compared to self-insurance.

6.3 WHAT'S NOT COVERED?

Identifying what is not covered under the current insurance programme is essential for managing residual risk and planning alternative funding strategies. This clarity ensures that uninsured exposures—such as roads, bridges, public art, and cyber risks—are understood and addressed through self-insurance, government support, or future policy enhancements.

- **Roads, cycle lanes and Bridges:** Currently not insured under the QLDC's policies. However, we are eligible for financial support from the New Zealand Transport Agency through Minor and Major Emergency Works funding (see **Section 5.3: QLDC Emergency Works and Infrastructure Government Funding**)
- This funding provides a critical financial safety net for roading and bridge repairs following severe weather or natural disasters.

  Under the **Funding Assistance Rate (FAR) regime**, QLDC's normal FAR is **51%**, with enhanced FAR available for major events. Enhanced FAR typically increases support by **20%**, meaning

QLDC can receive up to **71% of eligible emergency works costs**. While this is not insurance, it significantly reduces financial exposure. **QLDC is effectively self-insured for the remaining 29% of costs**, which must be funded through council resources.

- **Fine Art "Public Art":** The strategy includes a review of public art inventory to assess insurance requirements and valuation needs. QLDC do not currently hold insurance for public art. The Risk and Assurance Team have requested quotations from Aon in regard to valuations. Once valuations have been completed this will enable insurers to provide standalone quotations for Fine Arts policy which can be compared to the cost of adding the assets to QLDC's Material Damage policy. Evaluating the cost of cover will enable an evaluation of the benefits of cover against self-insurance.
- **Cyber Insurance:** QLDC does not currently hold cyber-insurance cover. This is because the cost of cover, and significant exclusions under existing policy terms, meant that it was more effective to invest in additional controls. However, given the increasing risk of cyber threats, and the more favourable insurance market, QLDC are seeking quotations for cover so that consideration can be given to whether insurance would be an appropriate risk transfer option at this time.

6.4 GAP ANALYSIS AND BENCHMARKING

At QLDC's request, its broker Aon reviewed QLDC's insurance cover against other councils, to identify any differences in the approach to insurance cover against self-insurance. While each Council may have a different risk appetite and risk profile (affecting premiums), a gap analysis provides useful context for a review of cover. Aon's review indicated that there following cover is often in place for other Council assets:

- **Fine Arts collection-** Fine arts insurance coverage is designed to protect valuable art pieces, collectibles, and other high-value items owned by Council from various risks. Fine arts insurance can cover a wide range of items, including paintings, sculptures, antiques, rare books, and other collectibles.

- **Personal Accident Cover**- Personal accident cover will provide Council financial compensation in the event of injury, disability, or death caused solely by violent, accidental, external, and visible events. This cover whilst benefits the employees of Council, in the event of a claim the funds are provided to Council and it is at their discretion if they choose to pass on to the employee.

6.5 RECOMMENDATIONS IN RESPONSE TO RISK PROFILE

Embed risk management as the foundation for insurance decisions by integrating the Risk Management Framework and organisational risk appetite into all purchasing choices.

- **Maintain accurate asset valuations and updated loss modelling** (e.g., earthquake and flood) to calibrate insurance limits and programme structure.
- **Regularly review and test assumptions** underpinning insurance decisions to ensure they remain valid and fit for purpose.
- **Identify and address uninsured exposures** such as roads, bridges, public art, and cyber risks, and evaluate options for self-insurance or alternative funding mechanisms.
- **Apply claim-tail analysis** (short-tail vs long-tail) to guide decisions on which risks can be cost-effectively retained internally versus transferred to insurers.
- **Benchmark against other councils** to identify coverage gaps and emerging best practices.
- **Ensure decisions remain evidence-based and transparent**, balancing cost efficiency with robust coverage and resilience objectives.

This consolidated approach strengthens financial resilience, improves transparency, and positions QLDC to proactively manage risk in a changing market environment.
To ensure the insurance strategy remains aligned with Council's objectives and risk appetite, the following actions are recommended:

7 WHAT'S COVERED- CURRENT INSURANCE PORTFOLIO

7.1 INFRASTRUCTURE NATURAL CATASTROPHE POLICY – SOUTH ISLAND COLLECTIVE COUNCIL (SICC)

The infrastructure Natural Catastrophe policy provides cover for underground Three Waters assets against natural catastrophes such as earthquakes, floods, and storms. The policy period is from November to October (consistent with other collective policies in New Zealand).

Structure: The policy is shared among eight South Island councils, collectively covering approximately 40%. This collective approach enables access to central government recovery funding.

<u>**Coverage**</u>

Insurance program structure	Amounts
SICC Programme Limit	**$500,000,000**
QLDC Sub Limit	**$240,000,000**
Excess	**$1,000,000**
Premium	**$1,246,582**

Government Support: Leverages up to 60% funding from the National Emergency Management Agency (NEMA) for eligible infrastructure recovery costs following a declared emergency. To access Government support, QLDC is required to evidence its ability to cover 40% of its losses (via an insurance programme or other funding sources). Please refer to **Appendix C: Comprehensive Funding & Eligibility Information**, for more details on Government support under NEMA.

Impact of growth in QLDC's asset base

QLDC's insured asset base continues to increase year on year through the ongoing delivery of new assets through QLDC's capital programme, as well as vested assets received from development activity. While QLDC's long term plan includes a capital investment of over $1.2B, the installation of new, more resilient assets and networks, means that QLDC's exposure to losses is not directly proportional to its investment in assets. However, this expansion in asset base has a direct impact on premiums. While insurance rates are flattening, or even declining in some cases, this reduced rate in most cases is offset by QLDC's growing asset inventory.

Impact of Tasman Flooding Claims

The 2025/26 renewal was influenced by claims associated with localised flooding in Tasman District. As Tasman District Council is a member of the collective arrangement (SICC), the impact of such claims is partially shared across all participating councils on renewal (via premiums). To manage affordability and fairness, the collective has agreed a cap limiting the maximum premium increase for Tasman at 15%.

Actuarial Review of Premium Allocation

For the 2025/26 renewal, the collective requested that Aon, its broker, engage an actuary to review the premium split. The actuarial work provides an independent assessment for each council's relative exposure to natural hazard risk, using Annual average Loss (AAL) estimates for earthquake and flood events.

For QLDC, the actuary estimated an average annual loss of $254,000 for earthquake and $25,000 for floods. These estimates inform the proportional premium allocation across the collective and will be refined as improved loss modelling data becomes available.

Year on Year changes driving premium movement (TDV's, limits , structure and claims)

Across the collective, increases in Total Declared Values (TDVs), Sub-limits and Programme limits have materially influenced premium movements over the 2022–2025 period.

Growth in TDVs

QLDC's TDVs (water, wastewater, stormwater and related costs) have increased consistently:

Policy Year	Total Declared Value (NZD)
2022	**1,597,837,283**
2023	**1,748,205,129**
2024	**1,836,609,298** *(with $12,300,000 of ancillary items removed)*
2025	**2,102,568,431**

This represents a 31.6% increase over four years. Much of this relates to growth in asset portfolios, revaluation increases, and restructuring of items such as demolition, enablement costs and extra expense. The sharpest increase occurred in 2025, where TDVs grew by **$266M.**

Earlier years included additional ancillary cost categories such as:

- Enablement costs
- Extra expense / expediting
- Demolition (introduced later as its own line item)

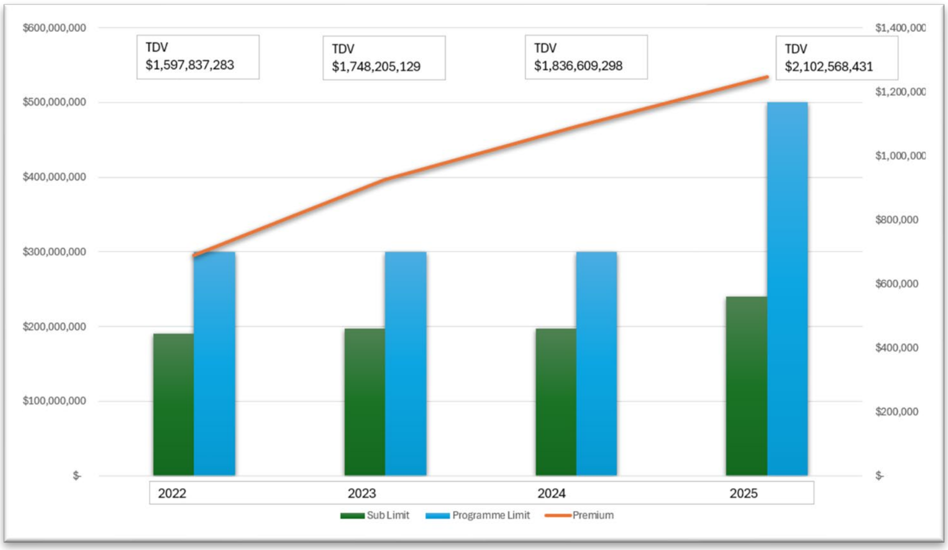
In the 2024 policy year, these ancillary items were removed or reorganised to align with the revised policy structure and to improve clarity in the Schedule of Values (SOV). Adjusting these categories reduced the SOV by approximately **NZD 12,300,000**. Without this change, the 2024 TDV would have been closer to **NZD 2,000,000,000**.

Treatment of Expediting and Enablement Costs

- These costs are no longer declared as standalone items
- Reinstatement allowances must be incorporated appropriately within asset valuations
- This avoids unnecessary inflation of TDVs while keeping cover aligned with actual reinstatement needs

Programme and Sub-limit Increases over the years

Year	Sub-limit	Programme Limit
2022	$190M	$300M
2023	$197M	$300M
2024	$197M	$300M
2025	**$240M**	**$500M**



Note: Sub limit & Programme limit Scales to the left and Premium scale to the right

Changes this Renewal

This year, the collective made a strategic decision to maintain the existing programme limit under the policy while seeking improved terms to strengthen certainty and flexibility for members. The most significant enhancement achieved relates to reinstatement provisions and clarification of how limits apply in practice.

Programme Limit of Liability NZD 500,000,000 Any one loss or series of losses arising out of any one event, combined Material Damage and Business Interruption.

Sub Limits- The liability of the Insurer(s) shall be further limited in respect of any one loss or series of losses arising out of any one event as set out hereunder and it is understood and agreed that such Sub Limit(s) shall not increase the liability of the Insurer(s) beyond the Limit(s) of Liability expressed within Risk Details. Sub Limits apply in excess of underlying deductibles. The Sub limits below are applicable on an each loss or series of continuous, repeated or related losses arising out of any one event basis unless otherwise stated.

The overall programme limit applies to any one loss or series of losses arising from a single event, while the sub limits apply on each loss or series of continuous, repeated or related losses arising out of any one event basis, we now have unlimited reinstatements at nil additional premium

Previously, there was uncertainty around whether the collective infrastructure policy operated on an aggregate basis, due to unclear policy terms. This year, at QLDC's request, the position has been clarified: the policy is on an each and every loss basis, with no aggregate limit and unlimited reinstatements at nil additional premium. The overall programme limit applies to any one loss or series of losses arising from a single event, while sub-limits apply to each loss or series of continuous, repeated, or related losses arising out of any one event. In practice, this means the policy pays up to the declared insured values (subject to sub-limits and the programme limit) for each insured event. Damaged or destroyed assets are no longer insured until repaired or replaced, but cover continues for all unaffected assets. This change removes previous uncertainty and provides greater clarity and certainty for councils.

Impact of Council Responsibilities, to maintain eligibility and ensure adequate coverage, the Council must:

- Maintain up-to-date asset management plans
- Conduct accurate loss modelling and reporting
- Ensure insurance cover levels align with potential exposure
- Ensure all assets are added during the year following the practical completion of any contract

Current Activities

SICC Legal Agreement

QLDC is currently collaborating with other councils to establish a clear legal agreement to formalise the governance and management of the collective insurance programme. The agreement outlines Claims management, Participation and governance structure, voting rights, dispute resolution processes, entry and exit procedures for members. The goal is to ensure transparency, fairness, and consistency, particularly in the event of large-scale natural disasters and claims that exceed the programme limit. QLDC is leading the drafting process and has established working groups to support both the agreement and a collective approach to loss modelling. It is intended that agreement is reach from all members of the collective in early 2026.

Loss Modelling

To support the 2025 infrastructure insurance renewal, QLDC and other members of the South Island Collective Cover (SICC) have engaged Aon to undertake updated loss modelling. This is the first modelling exercise since before COVID-19 and aims to ensure that insurance limits are appropriate and reflect actual risk exposure. The modelling focuses on flood protection and reticulation assets covered under the infrastructure policy. A 50% discount has been secured by return premium contributions from the London market.

7.2 MATERIAL DAMAGE AND BUSINESS INTERRUPTION POLICY

QLDC's Material Damage and Business Interruption Policy provides insurance cover for above-ground infrastructure, including pump stations, buildings, and operational facilities, against physical damage and associated business interruption. The policy period is from April to March and is a standalone policy purchased by QLDC (not a collective policy).

On renewal in April 2025, premium rates increased slightly due to a rise in asset values, particularly infrastructure. QLDC obtained a reduction in the overall premium rate from 0.26% to 0.22%, mitigating some of the anticipated increases. The increase in assets also resulted in a 35% increase in the business interruption sub-limit. The sub-limit for 'Property in the Course of Construction' was increased to $2,000,000, from $1,000,000 with no additional premium cost.

Coverage

Insurance program structure	Amounts
Building Limit	**$717,620,517**
Business Interruption Limit	**$17,429,940**
Excess	**MD $10,000, Landslide $50,000, Additional Deductibles Flood $50,000.**
Premium	**$1,912,658.96**

Council Responsibilities for Managing the Material Damage Programme:

QLDC must complete an annual asset schedule review and determine which assets sit in the following categories:

- Must Insure – critical assets essential to operations or with high exposure
- Nice to Insure – assets with moderate risk or optional coverage value
- Do Not Insure – low-risk or low-value assets, or those with alternative recovery options

Reviews are strategic, involving the Assurance & Risk and Asset Management Teams, not just administrative, especially where asset use, value, or operational importance may have changed. Functional Replacement Value (FRV) are considered where full rebuilds are not necessary, allowing for more cost-effective coverage aligned with service needs.

Material Damage & Business Interruption (MDBI) – Exposure & Premium Trends (2019/20–2025/26)

This section summarises observed movements in the MDBI policy over recent years—premium, rating, and declared values for above-ground assets. (Prepared from Aon rating worksheets and the current MDBI coverage snapshot.)

Scope

MDBI covers above-ground assets only. Declared values (DV) are shown for two categories:

1. Buildings/Contents (including inflation), and
2. Three Waters above-ground assets (e.g., pump stations, treatment plants)

Current MDBI coverage snapshot (as at April 2025)

Building Limit	Business Interruption Limit	Excess (MD/Landslide/Flood)	Premium (incl. GST)
$717,620,517	**$17,429,940**	**MD $10,000 / Landslide $50,000 / Flood $50,000**	**$1,912,658.96**

MDBI – Year-on-Year Summary (ex-GST worksheet totals)

Year	DV: Buildings/ Contents	DV: Three Waters (above-ground)	Total DV	Rate (%)	Total Premium (ex-GST)	Key changes
2019/20	**234,422,900**	**105,376,070**	**339,798,970**	**0.1725**	**$654,956.78**	**Base year**
2020/21	**258,658,300**	**107,474,092**	**366,132,392**	**0.1813**	**$738,074.30**	**BI sub-limit increase**
2021/22	**257,240,100**	**120,922,828**	**378,162,928**	**0.1900**	**$785,284.26**	**Minor adjustments**
2022/23	**297,896,830**	**187,185,130**	**485,081,960**	**0.2000**	**$1,028,895.04**	**Significant asset growth**
2023/24	**337,361,200**	**207,616,853**	**544,978,053**	**0.2400**	**$1,368,235.40**	**Rate increase + BI uplift**
2024/25	**313,834,590**	**242,118,483**	**555,953,073**	**0.2600**	**$1,518,627.77**	**Additional contract works**
2025/26	**306,023,090**	**411,597,427**	**717,620,517**	**0.2200**	**$1,663,181.70**	**Rate reduction but higher BI**

Note: Worksheet totals are ex-GST (COMP + FENZ + EQC). Insurer invoices are GST-inclusive. Multiply by 1.15 to reconcile to the invoiced amount.

COMP – This is the *Fire and Emergency New Zealand (FENZ) levy component* calculated on the insured amount for fire cover. It funds the national fire and emergency services.

FENZ – Often shown separately or as part of COMP, this is the actual levy payable to Fire and Emergency NZ under the Fire and Emergency New Zealand Act.

EQC – This is the *Earthquake Commission levy*, which applies to residential property insurance to fund natural disaster cover under the EQC scheme.

Summary analytics

Year	Buildings share of DV	Three Waters share of DV
2019/20	**69.0%**	**31.0%**
2020/21	**70.6%**	**29.4%**
2021/22	**68.0%**	**32.0%**
2022/23	**61.4%**	**38.6%**
2023/24	**61.9%**	**38.1%**
2024/25	**56.4%**	**43.6%**
2025/26	**42.6%**	**57.4%**

Evaluation of the MDBI data

- Premiums closely track exposure and rating changes. Ex-GST MDBI premiums increased from $654,956.78 (2019/20) to $1,663,181.70 (2025/26) alongside growth in declared values and step-ups in rating (e.g., 0.2400% in 2023/24 and 0.2600% in 2024/25), before easing to 0.2200% in 2025/26 as market conditions softened and terms improved.
- Three Waters (above-ground) exposure expanded materially. Declared values rose from $105m to $412m across the period, lifting Three Waters' share of MDBI exposure from ~31% to ~57%. This expansion is a primary driver of premium movement independent of rating.
- Buildings/Contents DV peaked then moderated. Buildings/Contents DVs peaked in 2023/24, then moderated as asset schedules were refined and Functional Replacement Value (FRV) was applied where full rebuilds were not necessary—aligning insurance cost with service needs.

7.3 COMMERCIAL VEHICLE INSURANCE

QLDC's Commercial Vehicle Insurance covers accidental damage, malicious damage, theft, and third-party liability for Council-owned vehicles (including leased fleet vehicles).

The motor vehicle insurance policy has seen an increase in premium by 33% from $39,000 to $52,000 due to a higher-than-expected loss ratio of 158%. A high proportion of the claims being for windscreen damage. Roadside assistance has been added for light vehicles at no extra cost.

(See Appendix D for premium, limits, and excess details.)

7.4 STATUTORY LIABILITY

QLDC's Statutory Liability Policy provides cover to the company, employees and directors, to defend and pay fines and reparations in respect of prosecutions that can give rise to a criminal offence and arise out of an inadvertent breach of most New Zealand statues. Coverage is provided by Berkshire Hathaway Specialty Insurance (60%) and QBE Insurance Australia (40%).

On renewal in November 2025, an additional exclusion was added to the policy in relation to enforcement under the Resource Management Act 1991. This policy change aligns the position under the Resource Management Act (RMA) with that under the Health & Safety at Work Act, meaning insurance cannot cover fines. However, this adjustment is not considered a major exposure. Statutory Liability Insurance remains valuable primarily for covering defence costs, including legal and expert fees, which are still insured.

All other terms and conditions of this Policy remain unchanged.

(See Appendix D for premium, limits, and excess details.)

7.5 EMPLOYEES LIABILITY

QLDC's Employees' Liability Policy responds to claims, proceedings or investigations brought by employees in response to personal injury that are not covered, by ACC.

Coverage is provided by Berkshire Hathaway Specialty Insurance (60%) and QBE Insurance Australia Limited

Nil coverage changes

(See Appendix D for premium, limits, and excess details.)

7.6 PROFESSIONAL INDEMNITY

QLDC's Professional Indemnity Policy protects the council from financial loss associated with claims made by clients or third parties for professional negligence, errors, or omissions in the services provided.

Coverage is provided by Berkshire Hathaway Specialty Insurance (57%), Chubb Insurance New Zealand Limited (5%) and QBE Insurance Australia Limited (38%).

Nil changes to coverage for 2025

(See Appendix D for premium, limits, and excess details.)

7.7 COMBINED GENERAL AND PRODUCTS LIABILITY- INCLUDES HALL HIRE

QLDC's Combined General and Products Liability Cover provides cover in respect of negligent actions of the insured which gives rise to claims by third parties who suffer property damage or personal injury; cover includes associated defence costs.

Following a review, Hall hire cover has been incorporated into the General Liability policy. This has eliminated the need for a separate policy, saving QLDC approximately $9,000 annually. There is no change in cover and the Excess was reduced to align with current cover.

Coverage is provided by Berkshire Hathaway Specialty Insurance (57%), Chubb Insurance New Zealand Limited (5%) and QBE Insurance Australia Limited (38%).

(See Appendix D for premium, limits, and excess details.)

7.8 COMBINED PUBLIC, GENERAL, PRODUCTS LIABILITY AND PROFESSIONAL INDEMNITY – EXCESS LAYER

QLDC's Excess Layer provides additional layer of coverage for the National Council Liability programme.

Coverage is provided by London, Australian and local markets.

Changes in the Limit has increased from $145m to $200m London market has eased, Aon were able to secure a higher limit of $200m.

Independent chairs of audit and risk committee are automatically covered under the PL and PI policy.

(See Appendix D for premium, limits, and excess details.)

7.9 CRIME INSURANCE

Protects the council from financial losses resulting from criminal acts like theft, fraud, and dishonesty

Coverage is provided by Berkshire Hathaway Specialty Insurance (60%) and QBE Insurance

Nil coverage changes

(See Appendix D for premium, limits, and excess details.)

7.10 DRONE INSURANCE

Provides liability cover only for Council-operated drones (e.g., third-party property damage or injury arising from drone operations).

Nil changes to coverage

(See Appendix D for premium, limits, and excess details.)

7.11 TRAVEL INSURANCE

Covers staff and elected members for international work-related travel. The travel insurance policy saw a slight increase in premium due to an increased in the number of travel days as we return to normal travel post covid.

NIL change to coverage

(See Appendix D for premium, limits, and excess details.)

7.12 RECOMMENDATIONS FOR CURRENT PORTFOLIO MANAGEMENT

- Maintain accurate and timely updates to asset schedules to ensure coverage aligns with exposure.
- Review excess levels and claim trends to optimise cost efficiency.
- Monitor premium impacts from asset growth and adjust limits accordingly.
- Continue leveraging collective arrangements (SICC) for infrastructure cover while preparing for CCO transition.

8 OTHER COVERAGE OPTIONS

8.1 ELECTED MEMBERS & GOVERNANCE PROTECTION

Statutory Indemnity – Local Government Act 2002 (Section 43)

Under Section 43 of the Local Government Act 2002, elected members—including mayors, councillors, and community board members—are indemnified for acts or omissions done in good faith while performing their official duties. This means:

- Elected members are legally protected from personal financial liability for decisions made in good faith and within their role.

- The council assumes responsibility for costs and damages arising from such claims.
- This protection does not apply to acts of bad faith, dishonesty, or actions outside their authority.

While the Act establishes the legal framework for indemnity, it does not provide funding. Financial protection is delivered through council resources and insurance arrangements.

Current Insurance Coverage

Elected members are included as “Insured” under QLDC’s liability policies:

- Combined Public and General Liability Policy
  Clause 4.6.3 explicitly includes elected members, councillors, and mayors acting within the scope of their duties. This cover responds to third-party claims for wrongful acts, subject to policy terms and exclusions.
- Excess Liability Layer
  Although the wording does not name individuals, excess layers typically follow the form of the underlying liability policies. Therefore, elected members acting within their official duties are covered under this layer for claims exceeding the primary policy limits.

These policies provide strong protection for liability arising from governance activities.

Future Considerations

While statutory indemnity and current liability policies provide a solid foundation, they do not replicate the full scope of a dedicated Directors & Officers (D&O) policy. Aon has provided a D&O proposal for elected members and senior officers, which offers broader governance protection for risks such as breach of duty or mismanagement. Going forward, QLDC may consider these options if governance risk exposure changes or market conditions make additional cover cost-effective.

Recommendation:

- Maintain current liability cover for elected members.
- Continue monitoring governance risk exposure and market conditions change to determine if additional cover is needed in the future.

8.2 EXPLORING PARAMETRIC EARTHQUAKE INSURANCE FOR COUNCIL RESILIENCE

As part of QLDC’s ongoing risk and resilience planning, we have explored parametric earthquake insurance to secure rapid financial support following a major seismic event.

Unlike traditional insurance, parametric cover provides a pre-agreed payout triggered by measurable seismic activity, such as a Moment Magnitude 8.0 or greater earthquake within the district, based on independent data from agencies like GeoNet. This approach bypasses lengthy damage assessments and instead delivers fast, transparent payouts, to support emergency response, infrastructure inspection, and community recovery.

QLDC were particularly interested in this model because of QLDC's constrained debt ceiling, and parametric insurance offers a guaranteed injection of cash (subject to criteria being met) when it's needed most. However, initial quotes show that the rate-on-line (ROL),- the cost relative to the payout is currently very high, making it a challenging option to justify. We are awaiting the results of loss modelling to better understand our exposure and determine whether a parametric structure could be viable within our financial strategy and risk appetite. For the parametric quotation provided by QLDC's insurance broker Aon, see **Appendix E: Parametric Quotation from Aon**, page 52.

8.3 EXCESS OF LOSS (XOL) LAYER OR ADDITIONAL COVER UNDER SICC

Depending on the results of the loss modelling, we may need to consider purchasing an excess of loss (XOL) layer or increasing the Sublimit on the collective policy. This approach would provide additional protection against catastrophe losses while maintaining cost efficiency, as an XOL or top-up layer generally represents a relatively low cost of capital at this level of cover.

An XOL policy would be a stand-alone cover for QLDC, providing 100% coverage for the limit we purchase. Alternatively, increasing our Sub Limit on the collective is likely to be more cost effective, as we are not purchasing a whole new policy. However QLDC must weigh up the implications of the overall programme limit compared to the total sub limits.

Aon have advised any additional capacity would likely be placed through the London markets and would operate alongside the existing programme if we were to choose the XOL placed to ensure adequate coverage in the event of a significant or series of large losses.

It will also be important to ensure that declared asset values remain aligned with reinstatement costs, as these directly influence the effectiveness of the programme limits and recovery potential. Although the programme limit caps the overall settlement amount, individual asset values as declared on the Schedule of Values, limits the amount that can be paid out per damaged / destroyed asset. So it's really important that the declared values for assets are reflective of the actual costs of reinstatement.

8.4 LOCAL AUTHORITY PROTECTION PROGRAMME LAPP POLICY COMPARISON TO SICC

While QLDC currently participates in the SICC mutual for infrastructure insurance, the Local Authority Protection Programme (LAPP) is also a mutual insurance scheme that may offer alternative cover.

What is LAPP? The Local Authority Protection Programme (LAPP) is a mutual disaster fund established in 1993 to help New Zealand councils cover the 40% local share of underground infrastructure recovery costs after natural disasters. The remaining 60% is covered by the New Zealand Government. LAPP is managed by Civic Financial Services Ltd and currently has 22 member councils.

The Local Authority Protection Programme (LAPP) is a not-for-profit mutual disaster fund. Member councils contribute annually to build a shared pool of money. These reserves are used to pay claims and purchase reinsurance to extend coverage.

LAPP is governed by six trustees, fully audited by KPMG, and operates under OAG principles. As a charitable trust, LAPP pays no tax on investment income, enabling reserves to accumulate more efficiently over time. The fund currently holds approximately $22–23 million and has 22 member councils.

How LAPP Works

1. Individual Council Excess

Each member sets its own excess. Losses below this remain the responsibility of the council.

2**. The LAPP Mutual Pool (the key distinguishing feature)**

After the excess, LAPP's mutual pool covers the 40% council share up to the $7.5 million threshold:

- The pool is a **finite reserve** funded by member contributions.
- If the pool is significantly drawn down following multiple events, **members may be required to make additional contributions**.
- The pool also assists with **reinstatement premiums** after large losses.

Reinsurance Above the Pool

Above the $7.5m threshold, LAPP purchases commercial catastrophe reinsurance consisting of:

- **Two towers of $400 million**
- **One free reinstatement** for earthquake events,
- Reinstatements for other perils on a **pro-rata premium basis**, usually funded from the mutual pool.

This structure provides high-severity protection while relying on the mutual fund to absorb lower-level losses.

Discussions with the LAPP Chair and the Aon broker provided several key insights:

- LAPP is selective when admitting new members due to the limited size of the pool. Councils with particularly high exposure (e.g. Auckland) would be unlikely to be accepted.
- LAPP can cover both QLDC and the future CCO simultaneously during the transition period.
- Once the CCO becomes fully responsible for relevant assets, QLDC can be removed with two months' notice or remain if QLDC is still in charge of storm water assets.
- Deductibles will be adjusted to reflect the specific assets transferred to LAPP
- Joining LAPP requires a 3–4 year contribution period recognising the historic funding
- LAPP undertakes regular loss modelling, which aligns well with the modelling QLDC already commissions through Aon.

Claim History – Canterbury Earthquakes

During the 2010–2011 Canterbury earthquakes, Christchurch City Council received $201 million from LAPP for underground assets. Waimakariri District Council also made significant claims. These events exhausted the LAPP fund, which held around $40 million at the time. Reinsurance was fully utilized, leaving other member councils temporarily uninsured and prompting calls for government support.

8.5 QLDC-SPECIFIC CONSIDERATIONS

POTENTIAL EXPOSURE TO HIGH-RISK ASSETS AFTER REFORM

A key strategic issue is uncertainty around which assets QLDC may retain post-transition. Its important for QLDC to be aware which assets will be left on which collective policy they hold their insurance with, for example SICC could become dominated by councils left with:

- **River-management assets**
- **High flood-risk**

If QLDC retains stormwater on existing assets, or if SICC becomes concentrated with councils holding large river systems, the remaining SICC portfolio may become:

- **High risk**,
- **More volatile**, and
- **Less competitive in the insurance market** due to adverse loss modelling.

This could increase premiums and reduce insurer appetite for the collective. Understanding how other SICC members intend to structure their insurance post-reform is therefore crucial.

VOLATILITY OF MUTUAL SCHEMES

LAPP's mutual structure inherently introduces financial uncertainty. If the mutual pool is depleted, councils may face additional levies. QLDC's previous experience with Risk Pool, where repeated member contributions were required due to weathertightness claims, remains a relevant caution. Although LAPP is more tightly governed and audited, the principle of shared pooled liability is similar.

FINANCIAL IMPLICATIONS OF CHANGING SCHEMES

If QLDC exits its current infrastructure programme mid-term, a pro-rata refund is unlikely, so transition timing must be carefully managed to avoid unnecessary cost.

SICC

- Commercial insurance structure
- Council excess → Insurance attaches immediately
- No mutual pool, no replenishment calls
- High predictability and strong insurer security
- Claims mechanism and governance framework currently being formalised

LAPP

- Mutual fund followed by reinsurance
- Council excess → mutual pool (to $7.5m) → reinsurance
- Potential for additional contributions if pool is depleted
- Financial exposure depends on other members
- Flexible for CCO transition

CONCLUSION FOR QLDC

LAPP is a credible alternative to SICC, providing alignment with the NEMA 60/40 funding model and flexibility during the transition to the CCO. However, its mutual nature introduces financial uncertainty that does not exist under SICC's commercial structure.

QLDC needs to take in consideration:

1. Final asset responsibilities under the CCO.
2. The future membership composition of SICC.

8.6 EXPLORING STRATEGIC PARTNERSHIPS FOR RESIDUAL ASSETS

Following the transition of water services to a Council-Controlled Organisation (CCO), QLDC may retain certain stormwater assets associated with roading or other infrastructure. Retaining these assets could create a concentrated risk profile that impacts insurance affordability and market appetite.

To mitigate this, QLDC could explore strategic partnerships with locally owned organisations that hold significant infrastructure portfolios. Such partnerships may enable shared procurement, risk pooling, and improved leverage in insurance negotiations. This approach would align with QLDC's objectives of cost efficiency, resilience, and maintaining competitive access to insurance markets.

Further analysis will be required to assess feasibility, governance implications, and alignment with QLDC's risk appetite and long-term financial strategy.

Recommendations:

- Monitor asset ownership outcomes post-CCO transition and assess implications for insurance strategy.
- Explore opportunities for strategic partnerships with locally owned infrastructure organisations to optimise risk pooling and insurance purchasing power.

8.7 RECOMMENDATIONS FOR COVERAGE OPTIONS

- Continue evaluating parametric earthquake insurance as loss modelling matures.
- Assess cost-benefit of adding an Excess of Loss layer or increasing SICC sub-limits.
- Compare LAPP membership against SICC for post-CCO transition flexibility.
- Explore strategic partnerships for residual assets to maintain market competitiveness and resilience.

9 STRATEGIC PURCHASING

Overview

Strategic purchasing moves beyond transactional insurance buying to a proactive, long-term approach that **strengthens resilience**, **reduces volatility**, and **maximises value** from the insurance market.

Strategic Purchasing

- Methods of engaging with insurance markets to extract maximum value from risk transfer.

FROM: Transactional Approach	TO: Strategic Approach / Principles	The Journey so Far
QLDC heavily reliant on external insurance market with limited control on outcomes	Build long term relationship with broker and insurers focussing on transparency data.	Continue to meet regularly and work with broker and insurers to build strong partnerships.
Less diverse insurer portfolio based on market availability and premium rates.	Broker's insurer selection methodology considers financial strength, diversification, and levels of market competition, as well as self-insurance options.	Continue to implement procurement strategy and in discussions with Council.
Limited or no leverage on group purchase	Council and broker continue to leverage memberships as part of shared services groups to take advantage of shared procurement.	Continue to leverage on group procurement.
Insurance is regarded as a risk management solution with limited consideration of other options	Both QLDC and broker continue to raise risk management maturity to respond to future potential for limited insurance availability in some markets or for certain exposures.	Continue to raise risk maturity at Council through review of risk framework in line with best practice.
Same purchasing approach regardless of insurance market dynamics and macro cycles	Council and broker engage in proactive marketing and risk communication to differentiate Council’s risk profile to insurers.	Continue to engage with broker and communicate risk profile to insurers.

INSURER SELECTION

- **Financial Strength**: Prioritise insurers with robust financial ratings and proven claims performance to ensure capacity and solvency when it matters. The Insurance Strategy needs to consider the financial strength and resilience of insurers as well as the aggregate dependency on any one insurer. In accordance with the Insurance (Prudential Supervision) Act 2010.
- **Diversification of Insurer-** Blend local and offshore markets to manage natural hazard exposure, increase capacity, and smooth market cycles. This strategy has become more important in the current challenging market and has worked well for Council in recent years. Use of overseas markets is vital in achieving best cover, price and ability to withstand market shifts.
- **Competitive Tension-** Maintain multi-insurer participation to generate competitive tension, stabilise premiums, and improve terms

9.1 SHARED PROCUREMENT

Council is a member of South Island Council Collective (SICC). Shared procurement of insurance through SICC allows premium, and coverage benefits and promotes best practice through membership. SICC provides the following benefits of economies of scale.

- Ability to maximise premium savings in soft markets and minimise premium increases in challenging markets.
- Access to offshore markets that would not otherwise be available to individual Councils.
- Greater ability to negotiate specialist covers / policy enhancements.
- Mitigation of claims impacts due to larger premium, that is less affected by claims performance, which therefore reduces overall loss ratio.
- Cost benefits to consulting work undertaken due to costs for work being shared amongst member Councils.

While group purchasing arrangements provide significant pricing and coverage benefits, it is important that the policies are sufficiently flexible to tailor for individual Council’s risk appetites and tolerances. Council shares in the combined benefits of their current SICC or group arrangements, while still being able to have individuality around chosen limits.

9.2 DEVELOPING RISK MATURITY

Insurers looking to deploy their capital at an affordable price require detailed information to optimise the amount of cover they will provide and the premium they require to deploy it. An evolving understanding of risk is vital for Council. An Insurance Strategy needs to ensure that the insurance programmes in place are fit-for-purpose with the respective council risk profiles, by tailoring the policies accordingly.

Developing risk management maturity across Council leads to more efficient and cost-effective solutions in the future. Benefits include:

- Access to market-leading commercial terms and conditions particularly in challenging markets
- Access to market-leading risk management approaches and technologies.
- Better risk governance, monitoring and reporting and accountability to communities, stakeholders and ratepayers.
- Alignment with government's broader risk financing strategies.

9.3 PROACTIVE MARKETING AND RISK COMMUNICATION

In a challenging marketplace, it is vital to differentiate Council's insurance programmes when marketing to insurers. The SICC renewal strategy has a strong focus on Council involvement in the process of marketing to insurers. This is critical to achieving best results and differentiates Councils from other insurance buyers seeking the same capacity. Benefits of this tripartite approach include:

- Allowing underwriters to see locations first-hand on an annual or when feasible basis (when global travel restrictions permit).
- Building long term relationships with insurance markets. The results can often be preferential pricing and cover over several years.
- A differentiator of Council's risk to overseas underwriters, who see hundreds of submissions each year.
- Allows direct questions and answers and negotiation across the table. Premium and coverage advantages far outweighing the cost outlay of this approach.
- Enhanced claims outcomes as underwriters become invested in Council's risk when they meet staff in person.

9.4 RECOMMENDATIONS IN RESPONSE TO STRATEGIC PURCHASING

To ensure the insurance strategy remains prudent, effective and aligned with Council objectives, the following actions are recommended:

- Prioritise insurers with strong financial ratings and proven claims performance.
- Diversify insurer portfolio across local and offshore markets to manage natural hazard exposure and increase capacity.
- Maintain multi-insurer participation to create competitive tension and improve terms.
- Continue leveraging group purchasing through SICC for premium savings, access to offshore markets, and policy enhancements.
- Raise risk management maturity across Council to secure better terms and improve resilience.

- Engage in proactive marketing and risk communication to differentiate QLDC's risk profile to insurers, including site visits if possible and direct negotiations.

10 RECOMMENDATIONS IN RESPONSE TO ONGOING AND FUTURE CONSIDERATIONS:

This document outlines the recommendations in response to the 'Ongoing and Future Considerations' section of the QLDC Insurance Strategy 2026. These actions are designed to ensure the strategy remains adaptive, financially sustainable, and aligned with Council's risk appetite and resilience objectives

10.1 ON GOING STRATEGIC OBJECTIVES:

1. Insuring exposures where risk exceeds councils risk appetite and the benefits exceed the costs, or where there is a contractual or legal requirement to insure
2. Regularly reviewing and testing assumptions that underpin key decisions to ensure they remain valid and fit for purpose, e.g. asset valuation and loss modelling to inform limits
3. Continue building strong, long-term relationships with broker and local and global insurers
4. Regular monitoring and reviewing changes to both the internal and external environment, and adapting the strategy to impacts of the changes, e.g. insurance market dynamic, central government funding, three-waters reform

10.2 GOING FORWARD

- Protecting essential infrastructure to ensure continuity of community services.
- Minimising financial risk to ratepayers via effective insurance and leveraging government support (NEMA funding).
- Supporting emergency management preparedness through robust up to date asset management registers.
- Public Art- Review Quotation from Aon- Compare adding it to MDBI policy V Fine Art.
- Cyber Insurance: As digital threats escalate, reviewing our cyber threat and insurance policies will be priority.
- Climate Change: QLDC is working with KPMG and other experts on climate change scenarios to assess how changing weather patterns and increased frequency of extreme events may impact our assets and insurance needs. This work will inform future insurance decisions and risk management. Emerging insurance products such as parametric policies tailored to climate risks will be monitored, as they tend to reduce in cost over time.
- Contract Works insurance- finding out individual line cost of contract works vs principle owned Contract works via cover holder placement with Aon.
- Loss modelling: The insurance broker is currently completing detailed loss modelling for our infrastructure assets. This analysis will help us identify if we need additional cover and improve our overall risk understanding.

- Gap Analysis and Market Review: QLDC continues to review gaps in coverage and explore new or improved products, especially for currently uninsured risks such as cyber threats.
- Claims – Recording Out-of-Pocket Expenses Below Excess-
  QLDC should implement a process to consistently record all claim-related expenses that fall below the insurance excess, particularly for frequent categories like vehicle damage. Capturing this data will enable informed decisions about:
    - Whether the current Excess level is appropriate
    - Potential cost savings from increasing the Excess
    - Opportunities to self-insure certain layers of risk
- Key metrics to track include:
    - Claim frequency and total cost of below-excess incidents
    - Average cost per incident
    - Cause and preventability analysis
    - Cost comparisons across different excess scenarios

In conclusion, this analysis provides a foundation for informed strategic decision-making across deductible settings, premium optimising, and internal risk management is ultimately a balance between risk exposure and financial sustainability. In some cases, insuring certain assets is neither feasible nor cost effective- whether due to limited market availability or alternative funding mechanisms such as government support.

By adopting a targeted and evidence-based approach, the council can ensure that its insurance and self insurance arrangements are both financially responsible and resilient. This strategy positions QLDC to better withstand emerging risks and safeguards community assets.

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12 APPENDIX A: QLDC INSURANCE POLICY METRICS

QLDC Insurance Policies	Metrics
Crime Insurance	Excess Limit Claims history Number of employees with financial access Internal controls in place
Commercial Vehicles	Excess (per vehicle and age) Limit (per vehicle or fleet) Claims history Number of vehicles Driver profiles and usage
Drone Liability	Excess Limit Claims history Number of drones Flight hours and operational areas
Employee Liability	Excess Limit Claims history Number of employees Number of elected representatives CCO'S and Subsidiary companies
Professional Indemnity	Excess Limit Claims history Number of employees Number of elected representatives CCO'S and Subsidiary companies Resource Consents issued
General Public Liability	Excess Limit Claims history
Statutory Liability	Excess Limit Claims history

	Number of employees Which Acts are relevant to our Business Contractual Liability details
Infrastructure Underground Natural Disasters Cover	Excess Limit Claims history Value of underground assets Geographic risk exposure
Material Damage & Business Interruption	Excess Limit Claims history Asset value (buildings, contents)
Business Travel	Excess Claims history Travel Dates
QLDC Insurance Policies	Metrics

13 APPENDIX B: INSURANCE CONSIDERATIONS

When evaluating self-insurance versus traditional insurance, QLDC should consider the following key factors:

1. **Type of Insurance-** Understand the nature of the cover and whether it is practical to self-insure. Certain risks, such as natural catastrophe, may be too large to retain internally.
2. **Coverage Details-** Review policy wording carefully, including limits, exclusions, and any potential gaps. Confirm whether the policy includes **reinstatement provisions**—for example, whether cover reinstates after a claim and if there are **unlimited reinstatements**. This is critical for events such as multiple natural disasters within the same policy period.
3. **Premium-** Compare the cost of traditional premiums with potential out-of-pocket expenses for self-insuring, factoring in reinstatement costs if applicable.
4. **Claims History-** Analyse past claims for frequency and severity. Are there patterns that indicate high exposure or repeated events?
5. **Long-Tail vs Short-Tail Claims-** Short-tail claims (quick settlements) are easier to self-insure, while long-tail claims require larger reserves and long-term planning.
6. **Claims-Made vs Occurrence Policies**
    - *Claims-Made*: The policy responds only if the claim is made during the policy period, regardless of when the act or omission occurred. This is common for Professional Indemnity and Statutory Liability policies.
    - *Occurrence*: The policy responds if the event occurred during the policy period, even if the claim is made later. This is typical for General Liability and Material Damage policies.
7. **Aggregate Limit vs Each and Every Loss**
    - *Aggregate Limit*: The maximum amount payable for all claims during the policy period. Once the aggregate limit is exhausted, no further claims are covered.
    - *Each and Every Loss*: The limit applies per event, often with reinstatement provisions. This structure is preferable for catastrophe risks because it ensures coverage for multiple events within the same policy year.
8. **QLDC's Risk Appetite- Assess** the level of risk QLDC is willing to absorb, particularly for catastrophic events where reinstatement could be essential.
9. **Reserves and Claims Handling-** Ensure sufficient funds are available to cover potential claims and that resources exist to manage claims internally if self-insuring.
10. **Asset Valuations and Schedule of Assets**- Ensure all asset valuations, replacement costs and asset schedules are up to date, completes and accurate. Out of date valuations may lead to underinsurance, incorrect premiums and insufficient reserves if self insuring. Valid and current asset data is essential for assessing exposure and determining appropriate coverage or retention levels.

14 APPENDIX C: COMPREHENSIVE FUNDING & ELIGIBILITY INFORMATION

How Funding Works (NZTA Emergency Works Model)

- Council pays upfront for emergency works, no advance funding is provided by NZTA.
- Reimbursement is made after an application is submitted and approved via Transport Investment Online (TIO).
- **Funding Assistance Rate (FAR):**
- QLDC normal FAR: **51%**
- Enhanced FAR: **normal FAR + 20%** for response and recovery above the NZTA threshold.
- Enhanced FAR can be **carried over for up to 3 financial years**, subject to progress reviews.

Application Process

1. Notify NZTA within one week of the emergency event.
2. Submit Emergency response application via TIO, including: Scope of work, cost and evidence
3. NZTA reviews and approves.
4. Reimbursement follows approval—delays are common, ranging from months to over a year.

Cashflow Implications

- Council must pay emergency works upfront.
- QLDC's total road maintenance budget for this financial year is $7.84m -This excludes emergency works, which is not budgeted for by finance, but does include a minor events budget of around 150k/ per annum.
- So this year's $2m road maintenance emergency works cost, is an unbudgeted expense pushing that up to around the $10m mark.
- Additionally the numbers exclude renewals, about $3m of renewals are typically delivered through the contract

Asset Eligibility

- Must be public transport infrastructure eligible under the National Land Transport Fund (NLTF).
- Includes local roads, bridges, walkways, cycleways (including off-road shared paths and trails)
- Cycle trails/ cycleways/ shared paths are eligible under WC 140 & WC 141- irrespective of whether they are commuter routes.
- Excludes: Private assets, Trust owned trail (unless QLDC is the asset owner or controlling authority) Gradual deterioration, Human-caused damage, Upgrades or betterment. www.nzta.govt.nz

Cycleway, Shared Path & Cycle Trail Ownership – Funding Eligibility

On-road cycle lanes

- Form part of the **legal road corridor**.
- **Owner:** QLDC (as Road Controlling Authority – RCA).
- **Funding eligibility:** eligible under WC 452 (for new/improved on road cycle lanes), and for maintenance and emergency reinstatement under WC 124/WC140/WC141 as long as the lanes remain part of the public road/transfer network.

Off-road shared paths/cycleways within the road reserve

- Even though off road, if physically within the legal road reserve and formally part of the transport network (i.e. shared path/cycle path) then eligible under same funding as above.

Off-road cycle trails outside the road reserve

- **Funding eligibility is more** uncertain/ conditional. Under WC 124 (maintenance) and WC 141 (emergency works), NZTA excludes paths that are not part of a public transport oriented cycle/shared path network. WC 124: cycle path maintenance | NZ Transport Agency Waka Kotahi
- For such trails to be eligible for reinstatement or maintenance via NZTA funding, they world need to be formally adopted by QLDC.

Implication for Insurance & Resilience Planning

Only QLDC-owned or QLDC-managed cycleways and trails qualify for NZTA emergency reinstatement. Therefore, cycle trails with non-QLDC ownership must be listed in the “not insured / not eligible” category in QLDC resilience planning and reporting.

NZTA Work Categories for Emergency and Recovery Funding

Work Category 140 – Minor Events

- Trigger: Events under $100,000 per occurrence.
- Assets: Local roads, bridges, walkways, cycleways.
- Works: Debris clearance, surface repair, urgent safety fixes.
- FAR: Council pays normal share QLDC 51%
- Exclusions: Gradual damage, human-caused incidents, improvements.

Work Category 141 – Major Events Emergency Works

- Trigger: Events ≥$100,000 and unusually severe (e.g., 1-in-10-year).
- Eligible assets: Roads, bridges, walkways, cycleways.
- Works:
- Temporary access
- Emergency response
- Geotechnical assessments

- Drainage reinstatement
- Reinstatement to pre-event level of service
- **Enhanced FAR for Major Events:** For qualifying emergencies, NZTA adds **20 percentage points** to the normal FAR (51%), resulting in a subsidy of **71%**. QLDC's share is **29%**. This enhanced rate significantly reduces financial exposure for large-scale events.

2025 Like-for-Like Definition (Updated)

- Reinstatement must match prior **level of service**, but can:
- Use **modern equivalent** materials
- Be in **approximately the same location**
- Include **minor realignment**
- Result in longer asset life (due to modern construction)
- Upgrades require separate approval.

Additional Government Funding Streams

NEMA Recovery Funding
Funding Model: 60:40 Split

- Purpose: Supports councils in rebuilding essential infrastructure after a declared emergency.
- Split: 60% Government (via NEMA), 40% Council.
- Scope: Applies to underground essential infrastructure (e.g., water, wastewater, stormwater, retaining walls). (civildefence.govt.nz)

Eligibility Criteria

To qualify for NEMA's 60% contribution:

- Asset must be owned by the council.
- Damage must be caused by the emergency.
- Must meet at least one of the following:

1. **Damage impacts performance.**
2. **Failure is imminent.**

If neither applies, NEMA may still consider funding based on:

- Criticality of the asset.
- Location (e.g., near hospitals or schools).
- High operating costs due to damage.
- Interdependencies with other infrastructure. (civildefence.govt.nz)

Thresholds and Exclusions

- **Thresholds**: Funding only applies above a financial threshold based on the council's net capital value:
- For district councils: 0.0075% of net capital value
- **Exclusions:** Betterment (upgrades) unless separately approved.
- Insurance offsets reduce NEMA's contribution.
- Gradual deterioration or pre-existing issues are not covered. [civildefence.govt.nz]

Application Process

- Submit a Project Summary Report to NEMA.
- Include: Scope of works, Cost estimates, Timeline, Insurance details
- NEMA reviews and approves.
- Reimbursement follows approval — delays are common.
- Advance payments are rare and require separate approval. [civildefence.govt.nz]

To Note

Tasman District Council has expressed concern that the full 60% may not be recovered.

Crown Resilience Programme (CRP)- Previously the Transport Resilience fund

- $419m investment over 7 years to strengthen transport networks against severe weather events (2024-2031)
- Supports proactive resilience upgrades for state highways and local roads.
- $140m allocated to local roads (includes some walking & cycling resilience improvements where linked to the transport network).
- Projects usually signalled in RLTP

State Highways

- Uses **NZTA National Resilience Tool** to prioritise projects based on risk and disruption.
- **Funding Packages:**
- **Low-Cost, Low-Risk:** $100m for simple projects ≤ $2m (e.g., rockfall mesh, drainage, culverts).
- **Small-to-Medium:** $179m for complex projects > $2m (e.g., sea walls, stop banks, road raising).

Local Roads

- $140m for small-to-medium resilience projects over 7 years.
- Focus: Quick-win projects to maintain access for vulnerable communities (single-road access, long reinstatement times).
- Process: Projects must be signalled via RLTP; next funding round 2027–30. [nzta.govt.nz]

Other NZTA Work Category 341 – Low Cost / Low Risk Improvements

WC 341 – Low Cost / Low Risk Improvements

- **Purpose:** Funds minor improvements to enhance **safety, resilience, and efficiency** on local roads and state highways.
- **Cost Limit: ≤ $2 million per project** (including design, property, and construction).
- FAR: normal (QLDC 51%)
- Eligible for: safety, drainage, signge, lighting, walking & cycling, resilience works

WC 322 – Improved Structures

- **Purpose: F**unds upgrades or replacements of existing bridges and structures where the main purpose is improvement beyond like-for-like reinstatement. [nzta.govt.nz]
- **Eligible:** Widening or strengthening existing Bridges, seawalls, retaining walls, large culverts (>3.4 m²)
- **Exclusions:** Like-for-like replacement at end of life (covered under WC 216). New structures where none existed before [nzta.govt.nz]
- **Requirements:**
- Detailed justification and business case (especially for projects >$2m)
- Must align with NLTP and RLTP priorities [nzta.govt.nz]
- Business case required for > $2m
- FAR: 51%

How to Access Funding

1. **Include projects in RLTP** (Regional Land Transport Plan).
2. **Submit programme via TIO** (Transport Investment Online) for NLTP funding.
3. **Engage with NZTA Investment Advisor** for eligibility confirmation.
4. **Comply with procurement and funding conditions**. [nzta.govt.nz]
5. **Work Category 322 – Improved Structures**

WC 324 – Road Improvements

- For larger-scale road upgrades (e.g., realignments, widening, intersection improvements)
- Includes bridge approaches, drainage, retaining structures, traffic signals, lighting
- Projects typically > $2 million
- Requires inclusion in RLTP and submission via TIO
- Normal FAR applies (51%)

WC 357 – Resilience Improvements

- For proactive upgrades to improve network resilience

- Funded at normal FAR
- Often used alongside WC 341 or 324 for resilience-focused works
- **Note:** Does **not** cover off-road cycleways — these go under walking & cycling categories (e.g., WC 451 / 452).

Strategic Funding Considerations for QLDC

- **Emergency works funding** (NZTA Work Categories 140 & 141) is reactive and reimbursement-based, requiring upfront council investment.
- **Minor events** are partially funded (capped at $100k); major events may qualify for enhanced FAR (up to 71%).
- **Enhanced FAR eligibility** depends on updating **Activity Management Plans by 30 June 2027** to demonstrate emergency planning.
- **Projects over $2 million** require a **business case** (applies to WC 322, 324, and 341).
- **Damage from gradual deterioration or poor maintenance is not eligible** under any category.
- Cycleways are eligible for both emergency reinstatement and improvement funding — meaning they must be considered in resilience and insurance strategies. Cycleways and shared paths **must be correctly classified by ownership**

Proactive Upgrade Funding Options

- **Work Category 341** – *Low-cost, low-risk improvements* (≤ $2m): safety, drainage, signage, minor resilience works.
- **Work Category 322** – *Improved structures*: bridge upgrades, retaining walls, tunnels, large culverts.
- **Work Category 324** – *Road improvements*: realignments, widening, intersection upgrades, drainage, bridge approaches.
- **Work Category 357** – *Resilience improvements*: proactive works to strengthen vulnerable assets.
- **Walking & Cycling work categories (451 / 452)** for off-road cycleways
- **Crown Resilience Programme** – *$419m national investment (2024–2031)* for state highways and local roads.

15 APPENDIX D- CURRENT POTFOLIO FIGURES 25-26

COMMERCIAL VEHICLE INSURANCE

Insurance program structure	Amounts
Limit for total fleet value	$4,648,791
Total Fleet Value, Number of vehicles at inception	111
Limit for Third party	$20,000,000
Excess	$1,000 standard excess for anyone under 21, $500 over 21
Premium	$52,000

STATUTORY LIABILITY

Insurance program structure	Amounts
Limit	$2,000,000
Excess	$10,000
Premium	$12,750.18

EMPLOYEES LIABILITY

Insurance program structure	Amounts
Limit	$2,000,000
Excess	$1,000
Premium	$2,546.75

PROFESSIONAL INDEMNITY

Insurance program structure	Amounts
Limit	$15,000,000 with a $45,000,000 aggregate
Excess	$25,000
Premium	$391,993.83

COMBINED GENERAL AND PRODUCTS LIABILITY- INCLUDES HALL HIRE

Insurance program structure	Amounts
Limit	$15,000,000
Excess	$10,000
Premium	$57,421.14

COMBINED PUBLIC, GENERAL, PRODUCTS LIABILITY AND PROFESSIONAL INDEMNITY – EXCESS LAYER

Insurance program structure	Amounts
Limit	$200,000,000
Excess	$15,000,000
Premium	$53,740.52

CRIME INSURANCE

Insurance program structure	Amounts
Limit	$1,000,000
Excess	$25,000
Premium	$30,800

DRONE INSURANCE

Insurance program structure	Amounts
Limit	$10,000,000
Excess	$500
Premium	$947.80

TRAVEL INSURANCE

Insurance program structure	Amounts
Limit	Section A – Aggregated Limit of Liability $2,500,000
Excess	250
Premium	$1,406

16 APPENDIX E- PARAMETRIC QUOTATION FROM AON

Limit $75,000,000 @1.5 ROL -Premium $1,125,000 (Net of brokerage, fronting fees and taxes)

Peak Ground Acceleration (PGA) is measured in units of gravity (g).

Payout Table
A PGA-at-location cover with the following payout table:

PGA (g)	Payout Factor (% of Limit)
20%	3%
40%	10%
70%	30%
100%	60%
130%	100%

Quick Reference:

PGA (% of g)	Magnitude (Mw)	MMI Level
20% (0.20g)	~5.0	V – Moderate
40% (0.40g)	~6.0	VI – Strong
70% (0.70g)	~6.8	VII – Very Strong
100% (1.0g)	~8.0	IX – Violent
130% (1.3g)	~8.2	X – Extreme

A 130% PGA (1.3g) would be extremely intense shaking, and well within the range expected in parts of the South Island during an AF8 Alpine Fault earthquake. Queenstown would likely see 30–60% PGA (0.3–0.6g) for AF8, which corresponds to Mw 8+ earthquake but at a distance.

Queenstown-Lakes District Council

Probabilistic Loss Modelling for Earthquake

August 2026

Scope of Work (Group modelling)

Portfolio + perils + policies

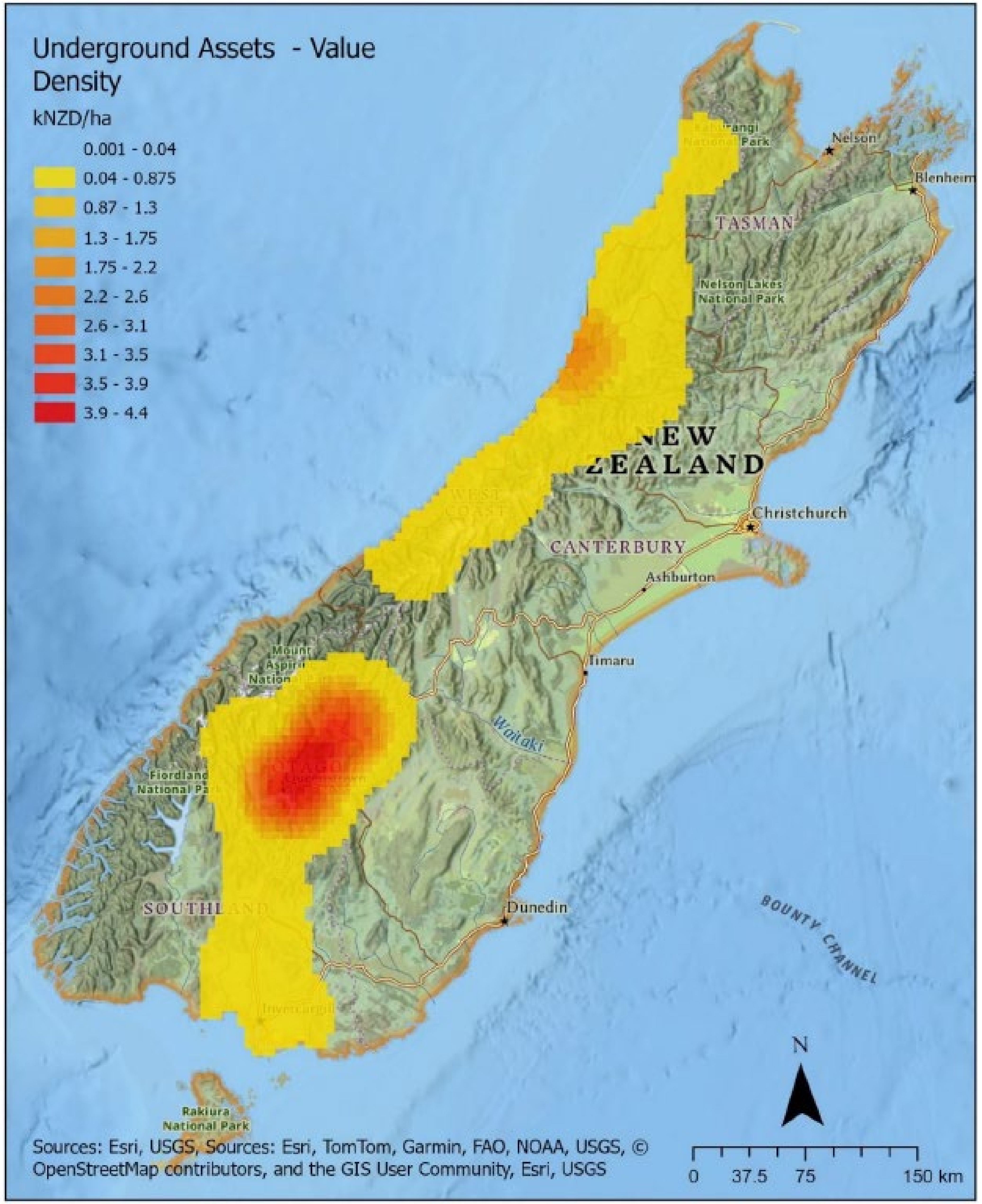
Group-level earthquake loss modelling of three-waters assets declared across **two policies**: **Infrastructure** and **Material Damage** (facilities only).

AON

Scope of Work (Group modelling)

Portfolio + perils + policies

Group-level earthquake loss modelling of three-waters assets declared across **two policies**: **Infrastructure** and **Material Damage** (facilities only).



SICC Infrastructure Policy:

Underground three waters network assets, for local and transmission services. Assets owned by 6x councils.

Modelled Value: $3,217.3m

Policy Total Value: $6,547.4m

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Scope of Work (Group modelling)

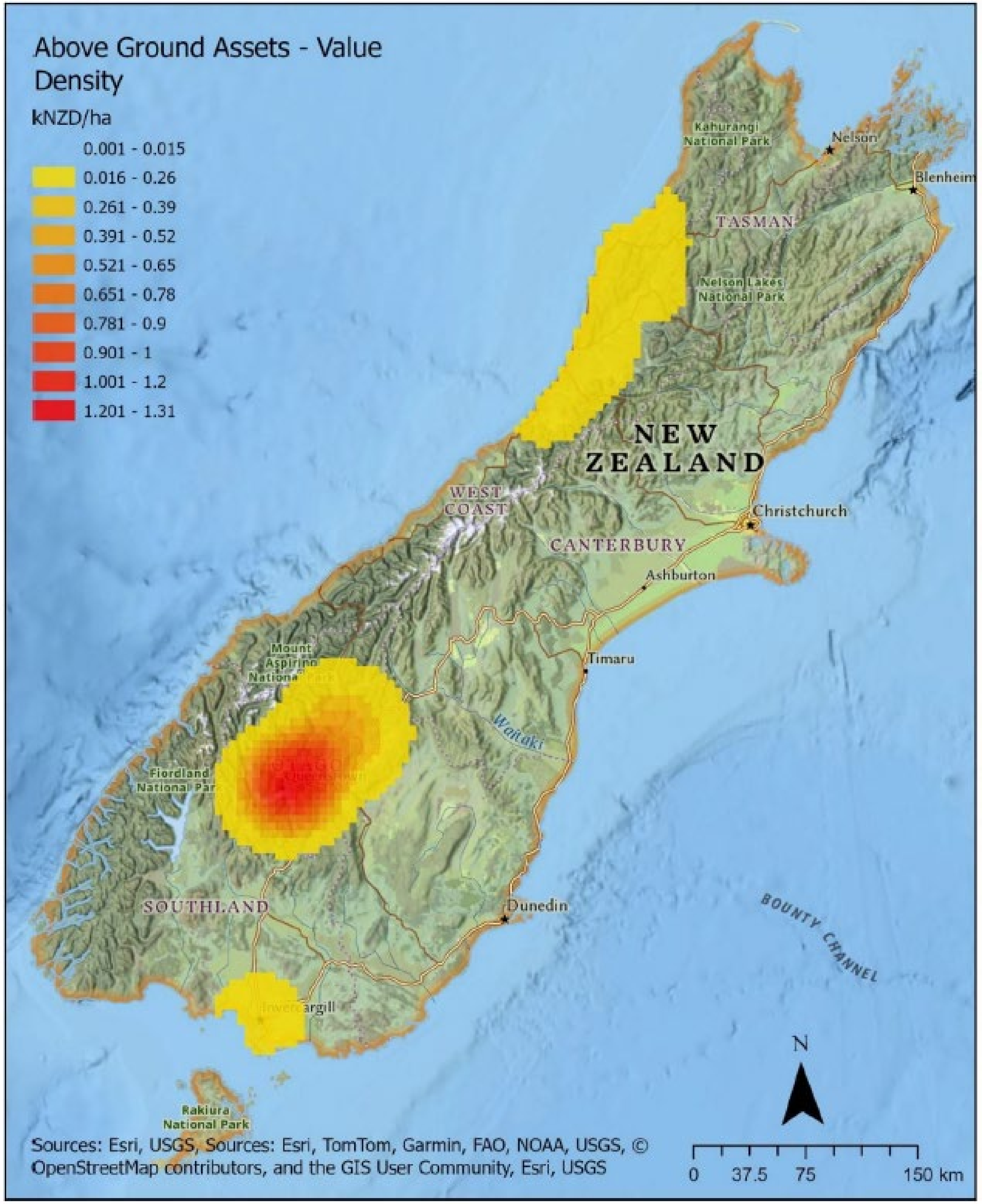
Portfolio + perils + policies

Group-level earthquake loss modelling of three-waters assets declared across **two policies**: **Infrastructure** and **Material Damage** (facilities only).

Material Damage Values:

Above ground three waters facilities. Assets owned by 6x councils.

Modelled Value: $639.0m



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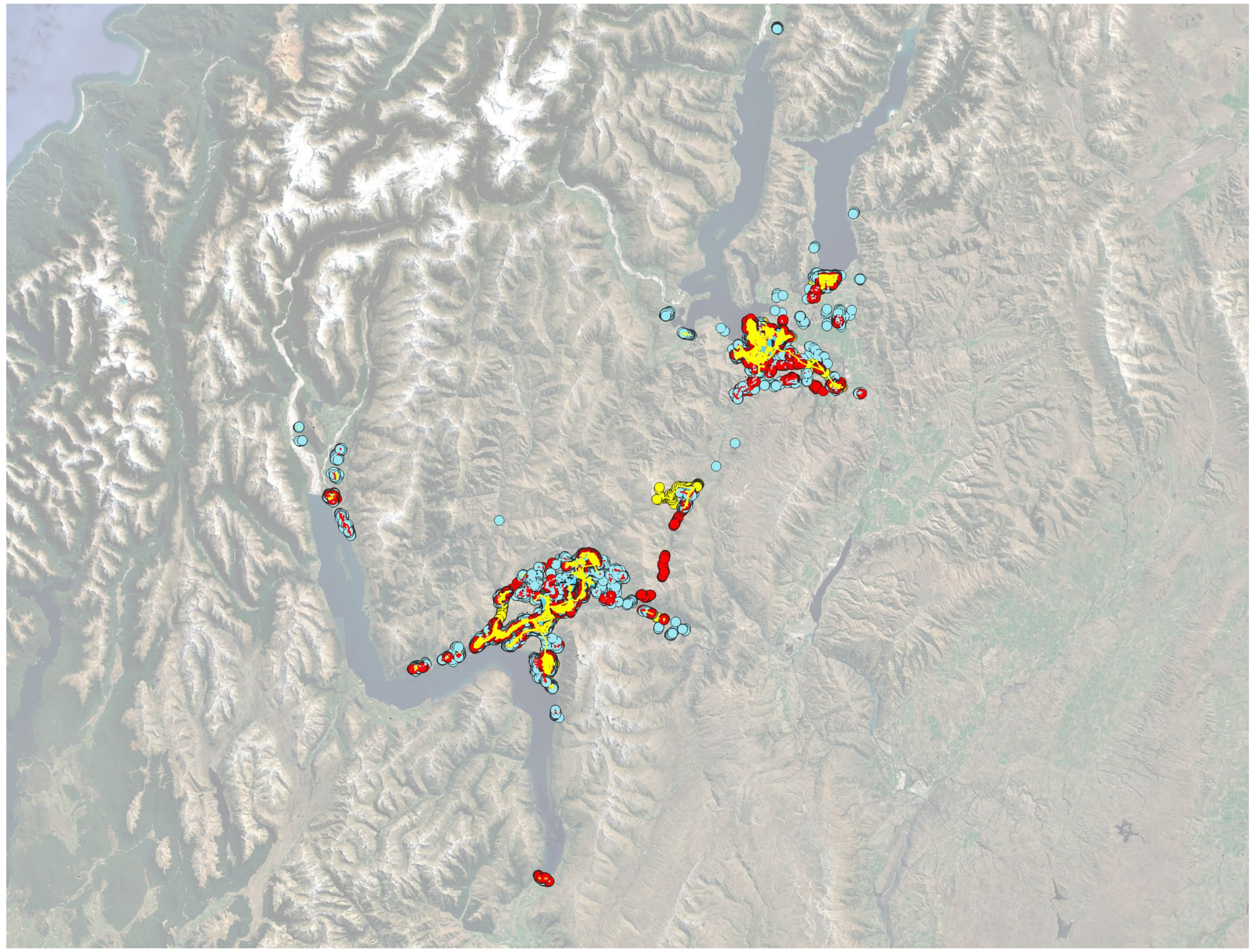
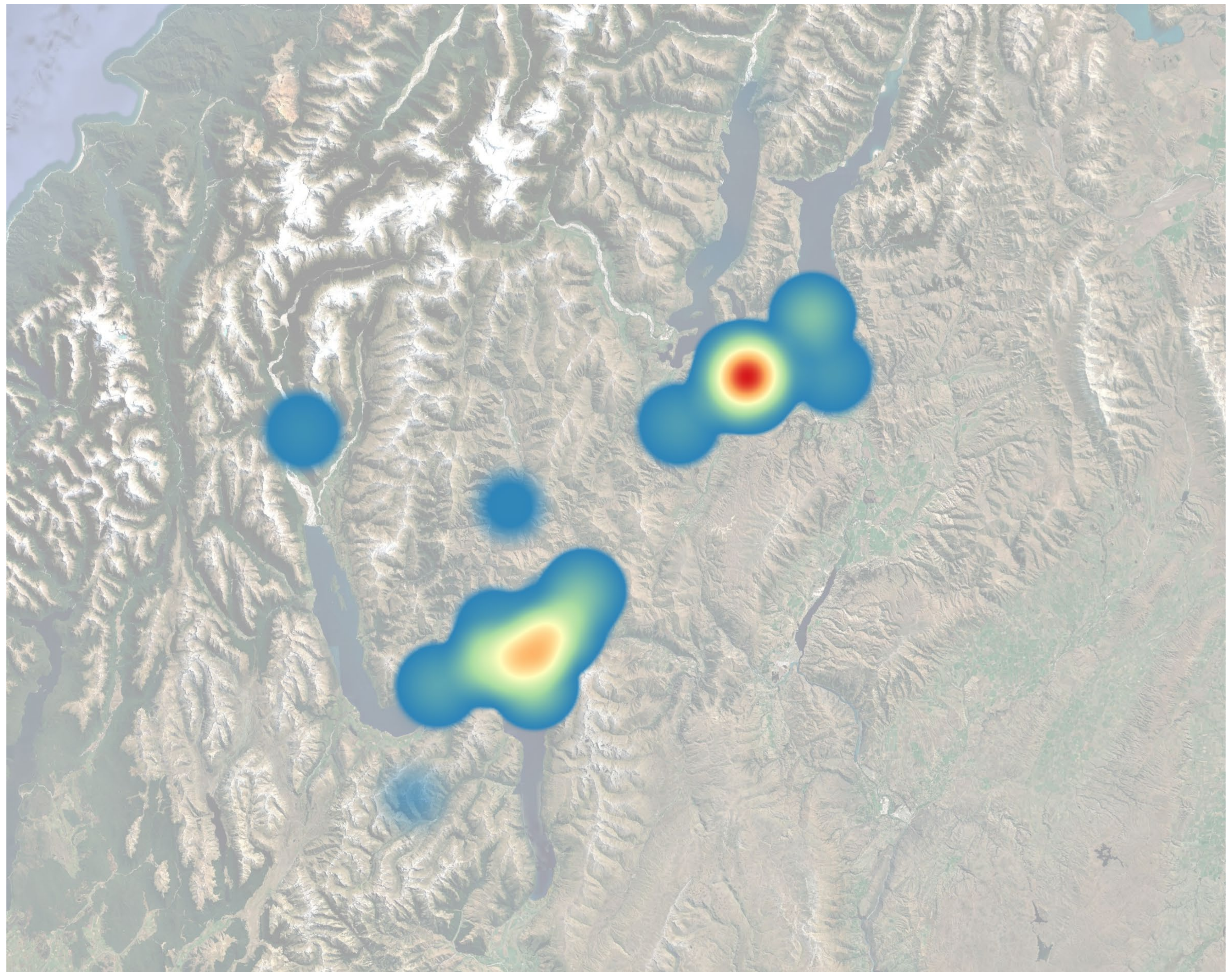
Scope of Work (QLDC modelling)





Infrastructure	$ 2,102.6 M
Material Damage (3W)	$ 484.2 M
Modelled Total	$ 2,586.8 M

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Overarching Approach

Key stages of modelling

Available **Asset Data** → **Hazard Exposure** of Assets → Asset **Vulnerability** to Damage → **Loss Estimates** of Physical Damage → **Risk Financing** Adequacy

Overarching Approach

Key stages of modelling

Available **Asset Data** → **Hazard Exposure** of Assets → Asset **Vulnerability** to Damage → **Loss Estimates** of Physical Damage → **Risk Financing** Adequacy

- Council Infrastructure Values
- Council Material Damage Values
- Council geospatial (GIS data)

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Overarching Approach

Key stages of modelling

Available Asset Data → **Hazard Exposure** of Assets → Asset **Vulnerability** to Damage → **Loss Estimates** of Physical Damage → **Risk Financing** Adequacy

- National Seismic Hazard Model 2022
- Liquefaction susceptibility
- Landslide susceptibility

Overarching Approach

Key stages of modelling

Available Asset Data → Hazard Exposure of Assets → Asset **Vulnerability** to Damage → Loss Estimates of Physical Damage → Risk Financing Adequacy

- Informed by attributes in the GIS data
- Determined at an asset level
- Pipe models calibrated against Christchurch experience

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Overarching Approach

Key stages of modelling

Available **Asset Data** → **Hazard Exposure** of Assets → Asset **Vulnerability** to Damage → **Loss Estimates** of Physical Damage → **Risk Financing** Adequacy

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Different models answer different questions

Modelling type	Main question	Best used for
Deterministic	What happens if this specific event occurs?	Stress testing, resilience planning, emergency response, consequence narrative
Probabilistic	What losses might occur over time, and how likely are they?	Insurance limits, retention, risk appetite, pricing and capital decisions

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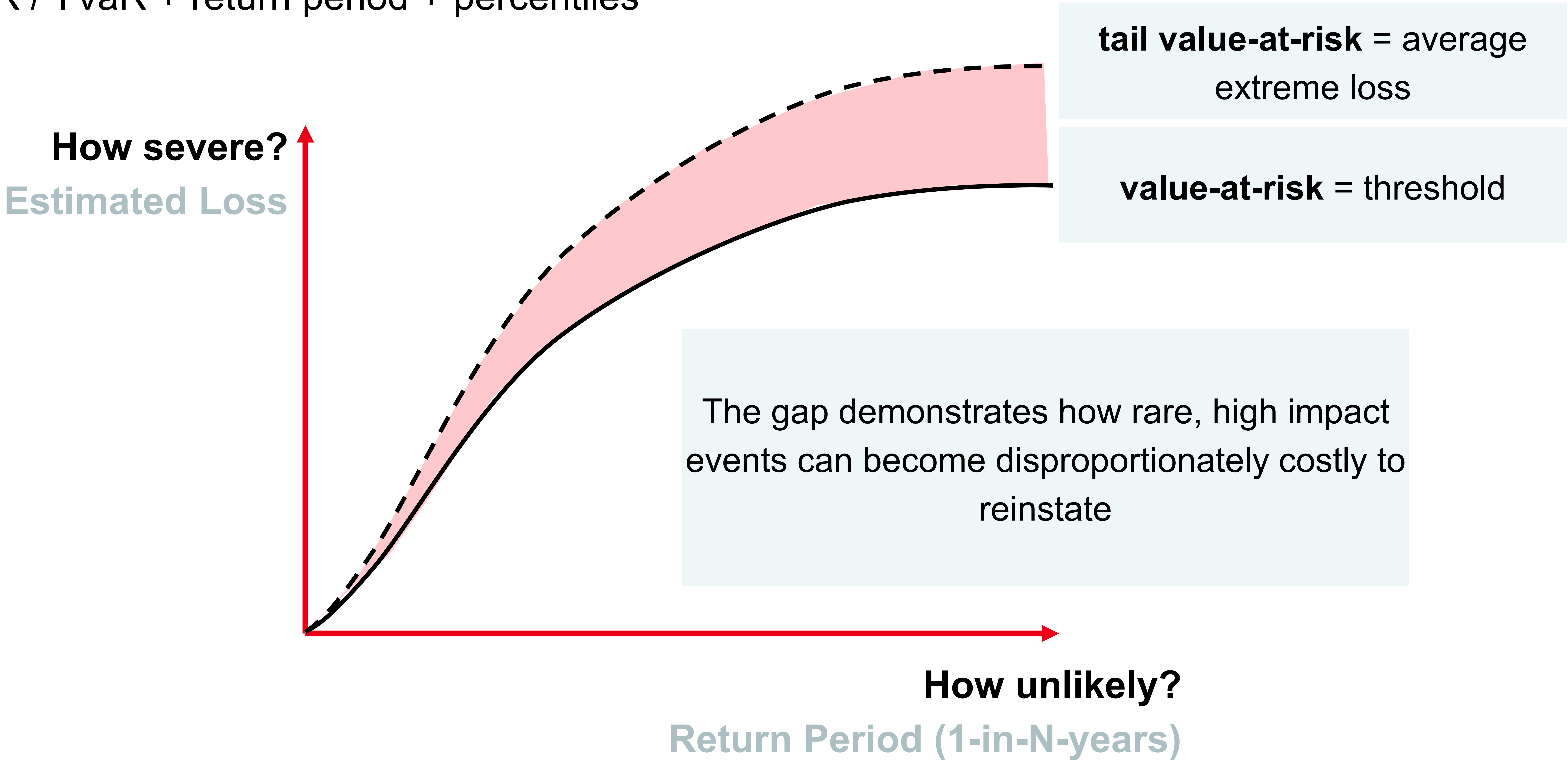
How to interpret the results

VaR / TVaR + return period + percentiles



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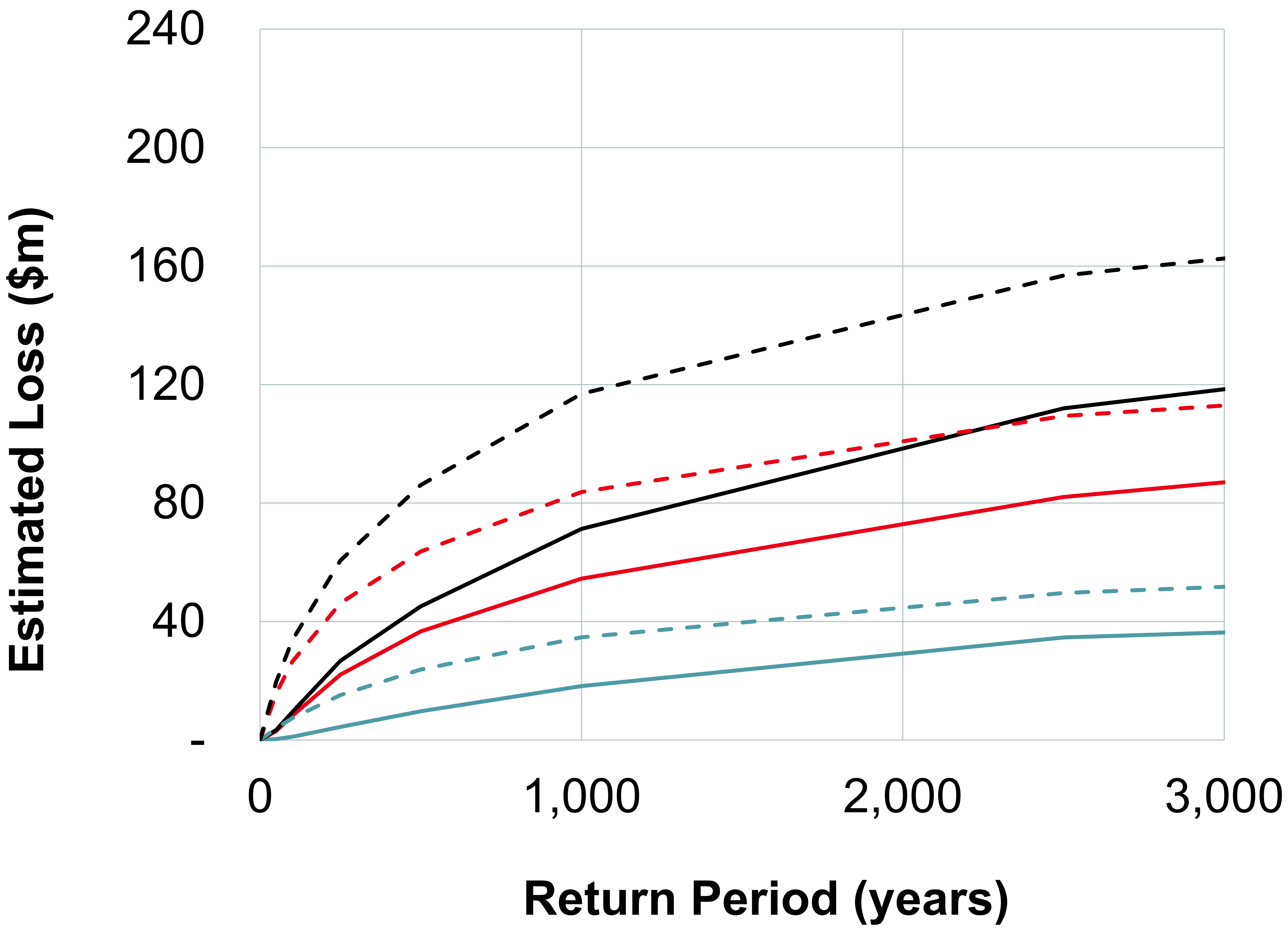
QLDC Probabilistic Results (All assets)



	VaR	TVaR
500-year (0.2% per year)	9.6 36.6 45.1	23.8 63.7 86.1
1,000-year (0.1% per year)	18.2 54.5 71.3	34.7 83.7 116.8

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QLDC Probabilistic Results (Infrastructure Robustness Check)

Available **Asset Data** → **Hazard Exposure** of Assets → Asset **Vulnerability** to Damage → **Loss Estimates** of Physical Damage → **Risk Financing** Adequacy

	VaR	TVaR
500-year (0.2% per year)	9.6	23.8
1,000-year (0.1% per year)	18.2	34.7

Conservative Vulnerability Assumptions

	VaR	TVaR
500-year (0.2% per year)	21.3	54.7
1,000-year (0.1% per year)	43.0	79.7

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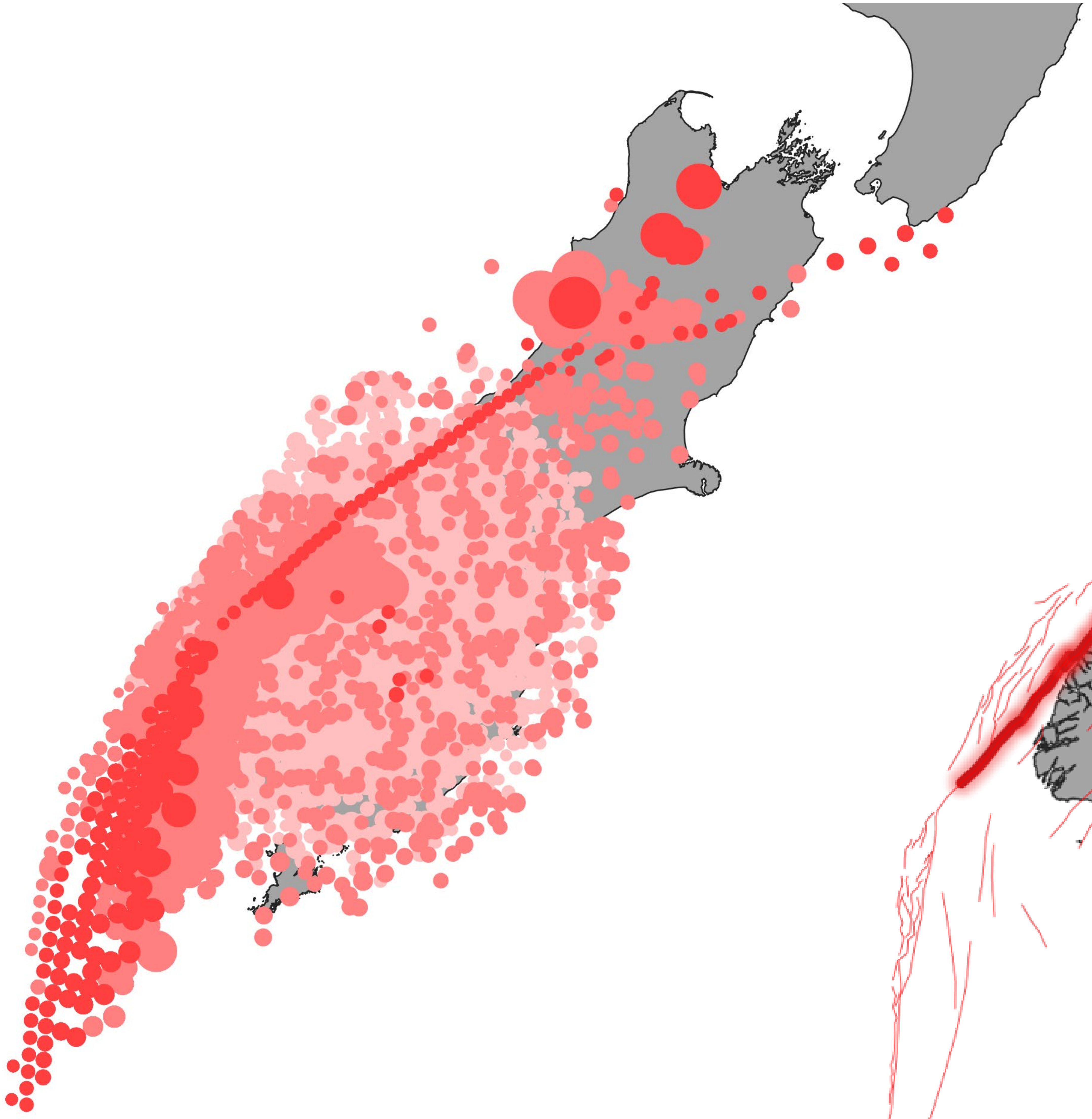
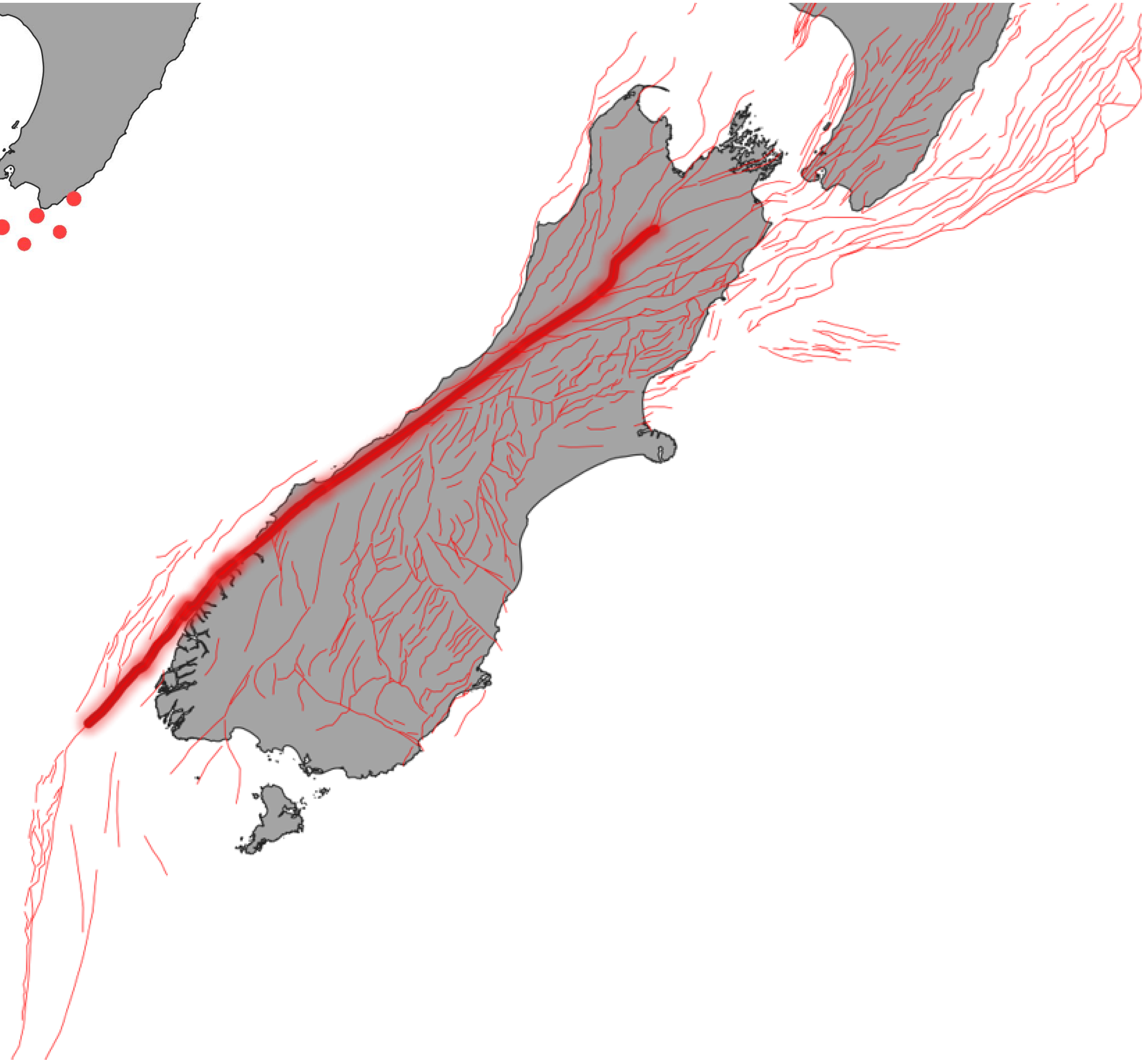
How does this fit within our current understanding?

- Historic deterministic estimates remain useful stress tests designed to explore severe but specific scenarios.
- Probabilistic modelling considers a broader range of possible events and weights those outcomes by likelihood.
- Together, these approaches provide complementary perspectives on risk rather than competing answers.
- The probabilistic assessment refines the financial view of insured asset damage, while the existing resilience narrative remains relevant for understanding consequence, disruption, criticality and recovery complexity.
- Results indicate the current risk financing approach remains conservative relative to the modelled loss profile.

What events have been considered?





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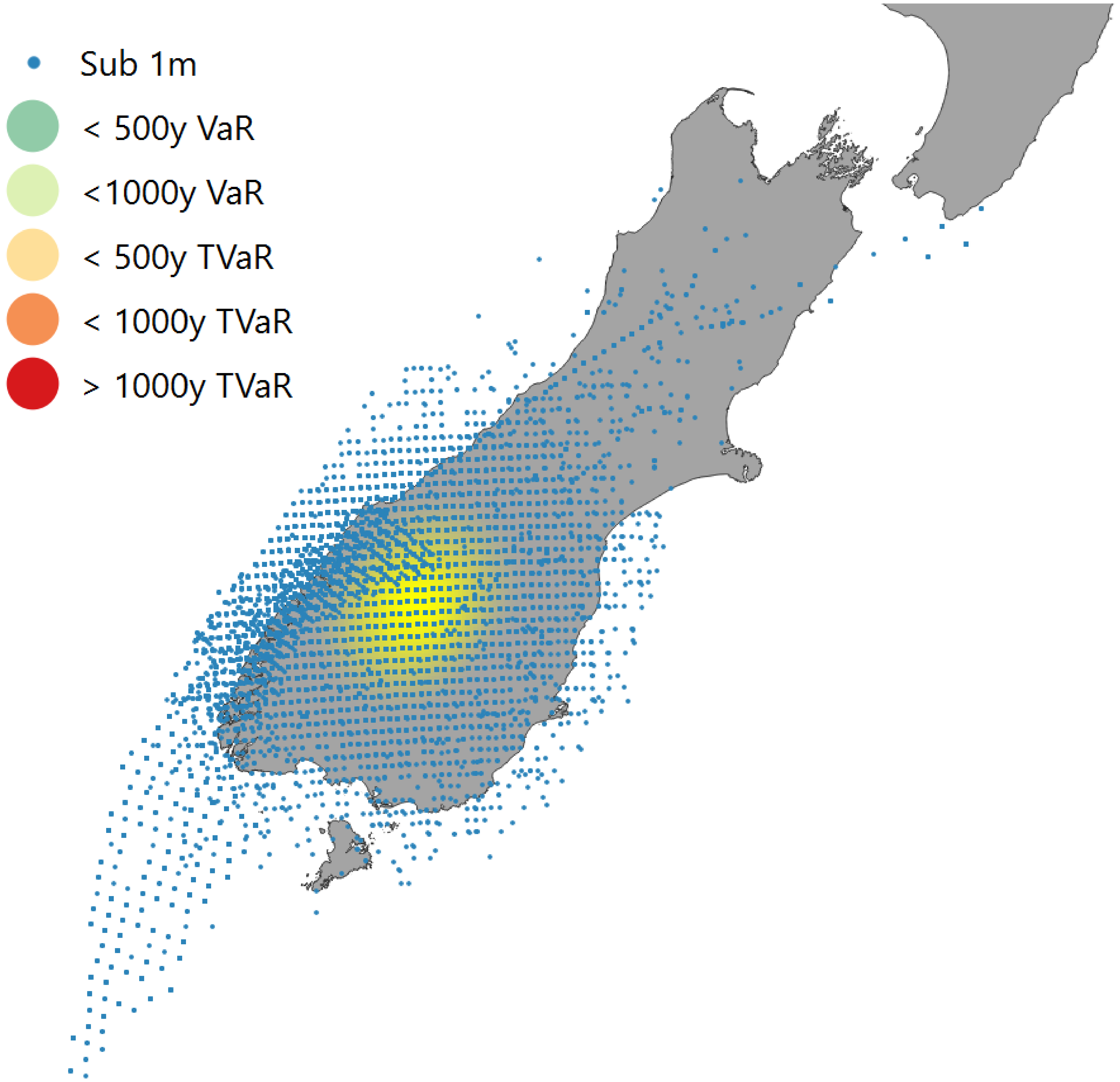
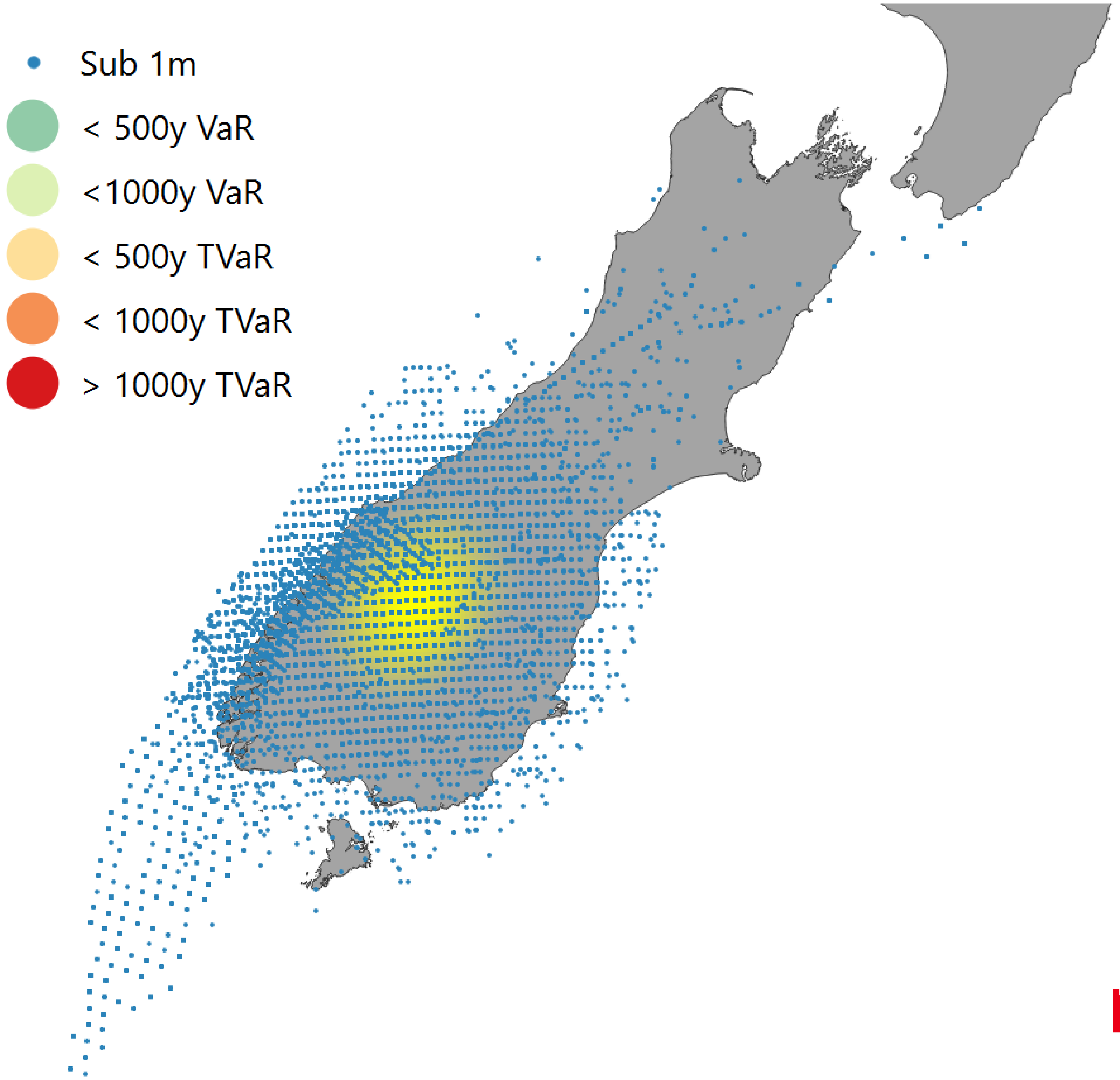
From loss modelling to insurance decisions



From loss modelling to insurance decisions



Are we expecting risk financing arrangements to respond to **absolute worst-case outcomes**, or to more realistic losses with sensible headroom on top?

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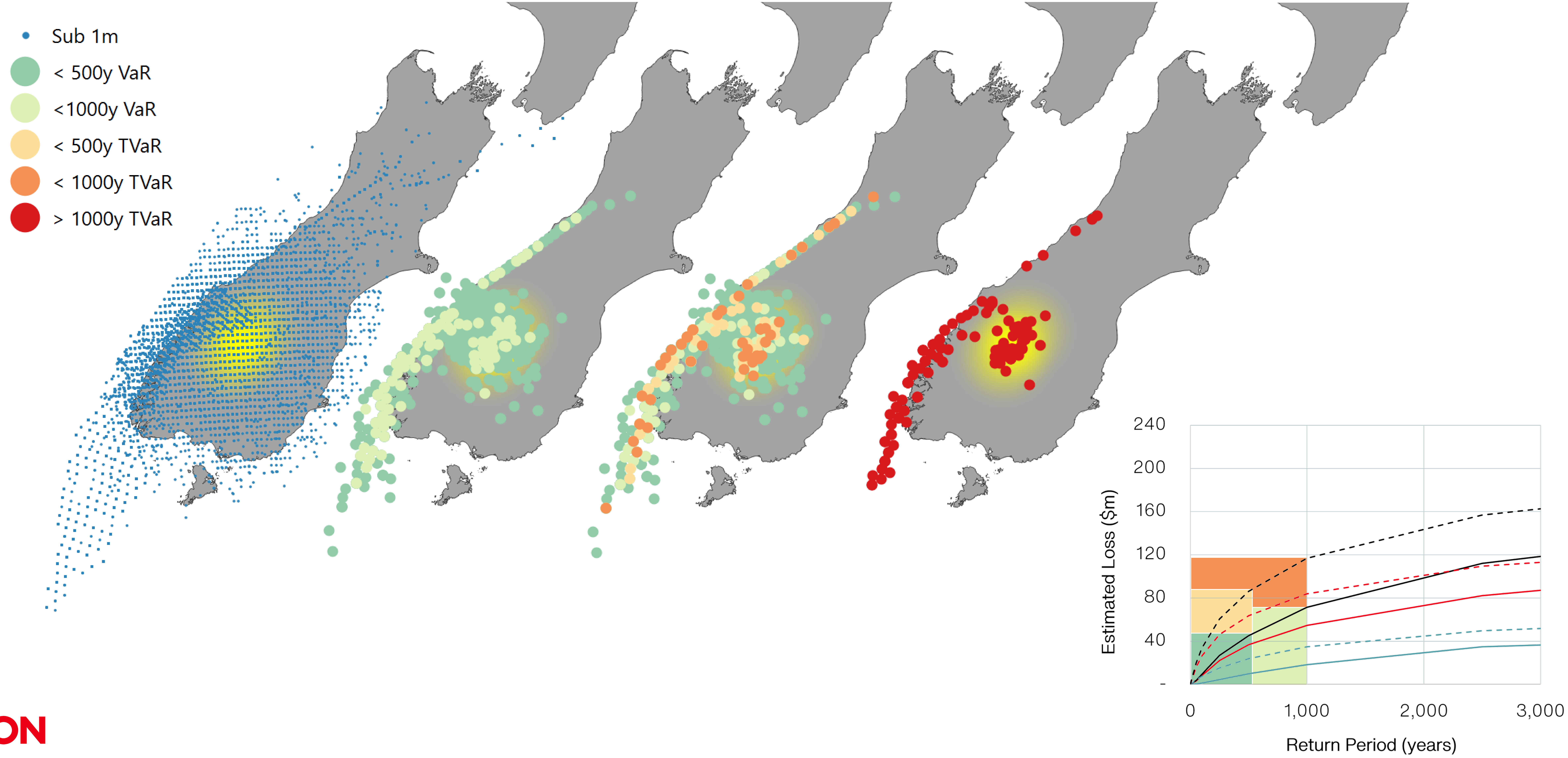
From loss modelling to insurance decisions



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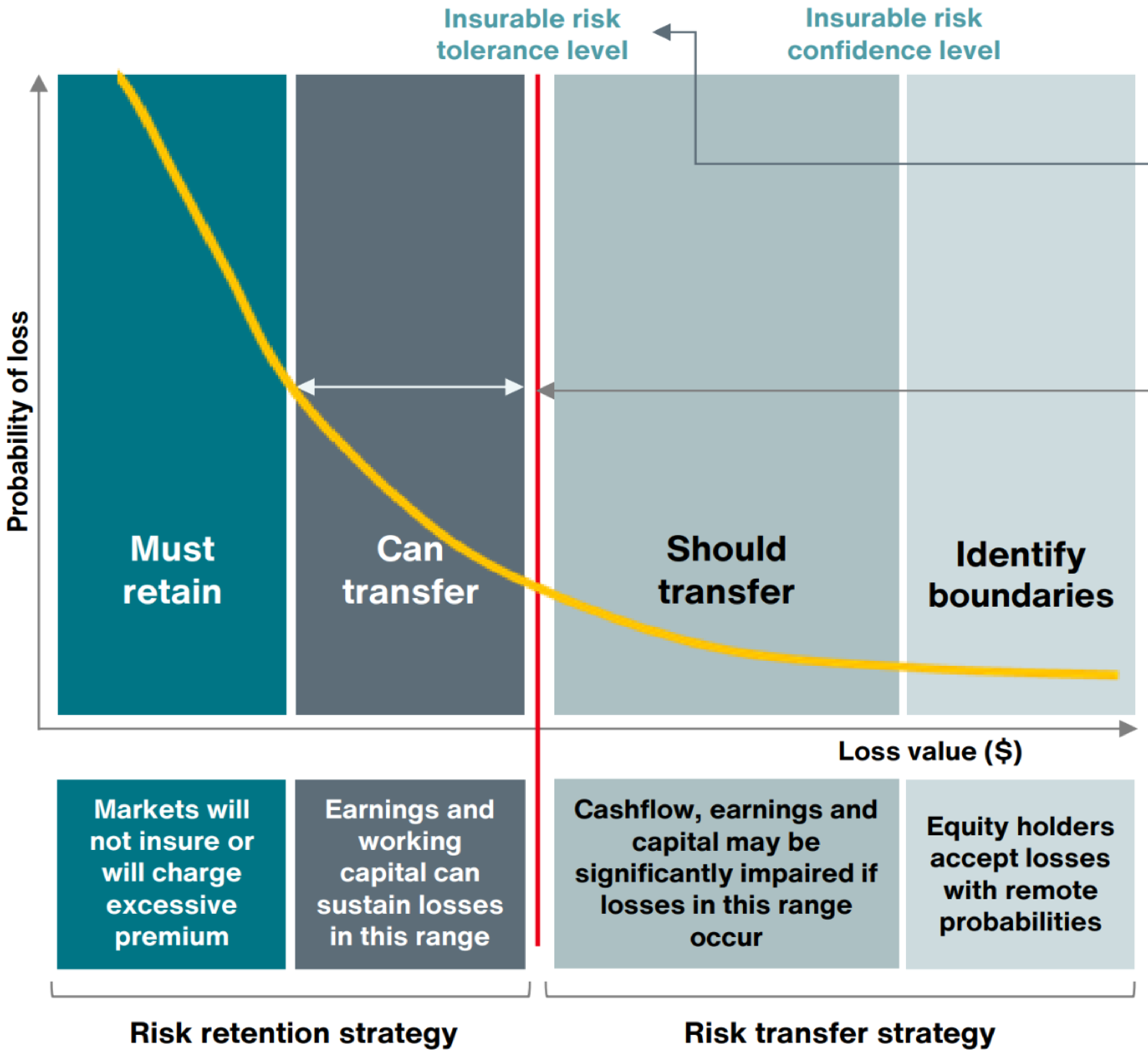
What decisions does this support?



Decision making process

NatCat modelling will help determine risk tolerance and appetite

Compare total cost of insurable risk

Self -insure minor, more frequent risks and continuously optimize.

What is not captured in the modelling?

Limitations and Additional Considerations

Additional factors may increase actual recovery costs:

- Demand surge and post-event cost escalation
- Direct fault displacement
- Gravity-fed network disruption from vertical land movement
- Access constraints and recovery delays
- Contractor, supply chain and wider regional disruption
- Broader community and economic consequences
- Insurance recoveries and funding mechanisms
- Uninsured costs i.e. disaster waste management
- Wider council impacts i.e. loss of rates

Strategic implications

1. The probabilistic modelling indicates lower direct damage losses than historic deterministic stress-test scenarios.
2. The modelling provides an opportunity to review whether the current programme structure remains efficient.
3. Lower modelled losses do not automatically imply that catastrophe limits should be materially reduced.
4. Limit decisions should also consider uncertainty, asset value growth, additional recovery costs, market conditions, and Council's tolerance for retained risk.
5. In the current market environment, retaining capacity while considering the inclusion of additional assets may represent a more balanced response than substantially reducing limits.
6. Importantly, these conclusions have been reached through the same modelling framework applied consistently across the wider purchasing group, allowing QLDC's position to be considered relative to other participating councils through a common lens.

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Thankyou.
Questions?