

Risk & Assurance Committee

9 April 2026

Report for Agenda Item | Rīpoata moto e Rāraki take [3]

Department: Assurance, Finance & Risk

Title | Taitara: Insurance Update, April 2026

Purpose of the Report | Te Take mō te Pūroko

The purpose of this report is to provide a governance update regarding the status of the Queenstown Lakes District Council's (QLDC) insurance programme and associated claims.

Recommendation | Kā Tūtohuka

That the Risk & Assurance Committee:

1. **Note** the contents of this report.

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13 March 2026

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13 March 2026

Context | Horopaki

1. This report seeks to support the governance role of the Risk & Assurance Committee (the Committee; RAC) by providing updates on the following topics:
 - Queenstown Lake District Council's insurance programme
 - Material claims
2. The report informs the Committee to enable it to discharge its roles and responsibilities as provided for in the Risk Management Policy:
 - Assist the Council in discharging its responsibilities for the robustness of risk management systems, processes and practices;
 - Review whether management has in place a current and comprehensive risk management framework and associated procedures for effective identification and management of the Council's financial and business risks; and
 - Reviews whether a sound and effective approach has been followed in developing risk management plans (including relevant insurance) for major projects, undertakings and other significant risks.

Analysis and Advice | Tatāritaka me kā Tohutohu

3. During 2025, the Senior Insurance Advisor (Fixed Term Role to December 2025) completed a detailed evaluation of QLDC's insurance policies, considering the current insurance market, QLDC's Risk Management Policy (risk appetite statement) and the implications of Government reform programmes, specifically the establishment of a Water Services Council Controlled Organisation (WSCCO). The review culminated in the development of a proposed Insurance Strategy, which will inform Council in relation to its decisions relating to risk transfer via insurance.
4. The Senior Insurance Advisor also worked with the internal communications team to create Insurance one-pagers (Attachment A) and some short videos to assist staff to understand what our insurance coverage is.
5. It is intended that this Insurance Strategy will be considered at a Council workshop on 2nd June 2026 (as part of a broader workshop on risk management), before being brought back to the Risk & Assurance Committee for endorsement. The following paragraphs provide a summary of the key matters, and associate recommendations outlined in the draft strategy.

Purpose and Strategic Context

6. The draft QLDC Insurance Strategy 2026 establishes how QLDC uses insurance as one component of its broader risk financing and resilience framework, rather than as a default or standalone

solution. Its core objective is to ensure that sufficient financial resources are available when required to recover from catastrophic or unforeseen events, while ensuring risk transfer remains cost-effective, evidence based and aligned with Council's risk appetite.

7. The draft strategy responds to a materially changed environment characterised by:
- Increasing natural hazard frequency and severity;
 - Volatile global insurance markets (with recent softening in London markets);
 - Significant growth in QLDC's asset base;
 - Structural reform of water services and the transition to a WSCCO by July 2027; and
 - Reliance on, and interaction with, central government recovery funding mechanisms.

How Insurance Is Positioned in QLDC's Risk Framework

8. The draft strategy explicitly reinforces that insurance is a risk transfer mechanism of last resort, to be used where:
- The risk exceeds Council's tolerance (as defined in the Risk Management Policy);
 - The financial consequences cannot be sustainably absorbed; or
 - Insurance is contractually or commercially required.
9. Insurance decisions are therefore guided by Council's Risk Management Policy and risk appetite statement, an evaluation of alternative treatments, including risk reduction, retention, avoidance, or funding via government mechanisms and evidence-based assessment of cost versus benefit. This framing is central to the future workshop, as it deliberately creates space to challenge historic assumptions about what 'must' be insured (noting that the draft strategy does not recommend significant changes from QLDC's current approach to insurance).

Key Drivers Considered in the Strategy

Legal, Regulatory and Contractual Obligations

10. While few insurance types are legally mandated under the Local Government Act 2002, councils are expected to demonstrate prudent financial management and transparency around how asset loss risks are managed. The draft strategy clarifies where insurance is:
- Not legally required but strongly recommended (e.g. liability classes);
 - Required by contracts or leases; or

- Unnecessary due to statutory regimes such as ACC

Transition to a Water Services Council Controlled Organisation (WSCCO)

11. A major strategic consideration is the staged transition of Three Waters assets to a standalone WSCCO by July 2027. The draft strategy evaluates:

- How existing collective infrastructure insurance (South Island Council Collective – SICC) can remain in place through transition;
- How and when the WSCCO should be introduced as an insured entity; and
- The need for clear delineation of retained versus transferred assets to avoid gaps or duplication of cover

Government Emergency and Recovery Funding

12. A substantial portion of Council’s recovery resilience does not rely on insurance, but on reimbursement-based funding from Waka Kotahi (New Zealand Transport Agency) and the National Emergency Management Agency (NEMA). The draft strategy examines:

- Funding Assistance Rates
- Eligibility constraints tied to asset ownership and classification
- Cashflow risk created by delayed reimbursements
- The importance of accurate asset registers and Activity Management Plans

13. Insurance is therefore positioned as complementary, not duplicative, of government funding.

Financial Resilience and Borrowing Capacity

14. The draft strategy recognises that QLDC’s borrowing headroom limits its ability to absorb large uninsured losses. Ongoing financial modelling is underway to understand Council’s capacity to respond to extreme events (e.g. Alpine Fault earthquake), and this will directly inform future insurance decisions and retentions.

Insurance Market Conditions

15. The draft strategy reflects detailed consideration of:

- Improved profitability and capacity in the Lloyd’s of London market;
- Rate reductions on ‘clean renewals’;

- Increased appetite for larger primary layers and improved reinstatement terms; and
- Opportunities to restructure programmes to improve value without materially increasing risk.

Risk Profile Optimisation

16. A central theme of the draft strategy is aligning insurance with **actual risk exposure**, rather than historic practice. Key matters considered include:

- Asset valuation accuracy, including the use of ‘Functional Replacement Value’ where appropriate;
- Updated earthquake and flood loss modelling to calibrate limits;
- Identification of uninsured or partially insured exposures (local roads, bridges, public art, cyber); and
- Analysis of claim tail length to determine which risks are realistically self-insurable and which are not.

17. This analysis underpins decisions to retain longtail liabilities (e.g. Public Indemnity and statutory liability) with insurers, while periodically reassessing shorttail covers.

Current Insurance Portfolio – Strategic Implications

18. The draft strategy documents the full insurance portfolio but, in summary the key strategic considerations are:

- Heavy reliance on the SICC collective for underground infrastructure catastrophe risk;
- Rapid growth in declared values driving premiums despite softening rates;
- Clarification that the SICC policy now operates on an ‘each and every loss’ basis with unlimited reinstatements, materially improving certainty
- Increasing exposure concentration in Three Waters assets within the Material Damage and Business Interruption programme.

Summary of existing cover

19. In parallel with the development of a draft insurance strategy, the Assurance & Risk Team developed one-page summaries of QLDC’s insurance policies and associated short videos to improve officers understanding of QLDC’s insurance portfolio. The one-page summaries are attached as Attachment A.

20. Infrastructure Natural Catastrophe Policy – South Island Collective Council (SICC):

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

21. QLDC's Total Declared Values (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 <i>(With \$12,300,000 of existing assets removed from the policy as they no longer needed cover. This was reviewed by Assurance, Finance & Risk Committee)</i>
2025	2,102,568,431

22. Material Damage (MD) and Business Interruption (BI) Policy:

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

23. QLDC's Total Declared Values have increased consistently:

Year	TDV	Key changes
2019/20	339,798,970	Base year
2020/21	366,132,392	BI sub-limit increase
2021/22	378,162,928	Minor adjustments
2022/23	485,081,960	Significant asset growth
2023/24	544,978,053	Rate increase + BI uplift
2024/25	555,953,073	Additional contract works
2025/26	717,620,517	Rate reduction but higher BI

24. QLDC also holds Liability, Professional Indemnity, Crime and Travel policies, which are all considered in the draft insurance strategy.

25. Under section 43 of the Local Government Act 2002, employees, elected members (mayor, councillors, community board members) and independent committee members are indemnified by the Council for acts or omissions carried out in good faith and within the scope of their role.

Alternative and Emerging Coverage Options

26. The draft strategy explores, but does not recommend, several options requiring further analysis, this includes parametric earthquake insurance for rapid liquidity post event- (currently high-cost relative to benefit), and comparison between the SICC collective agreement and the Local Authority Protection Programme (LAPP) (mutual disaster fund) post -WSSCO transition, including governance and volatility risks.

27. These options are presented in the draft strategy for further consideration and may be considerations Council wishes to explore at the future workshop.

Material Claims During the Reporting Period

28. At 6.45pm on 13 December 2025 there was a fire at Frankton Golf Centre causing significant damage to the main building. QLDC notified its insurer as soon as it was aware of the damage. The damage has been assessed by the insurer's loss adjuster, and a fire cause investigation has been undertaken. At the time of writing, that report had not been received by QLDC.

29. QLDC was able to open reduced services at the golf course within a matter of days of the fire. However, fire damage to the main building and some driving bay bays is significant, which cannot be used until repaired or replaced. As a result, QLDC's revenue will be impacted.

30. A progress payment was received in early March under QLDC's material damage and business interruption Policy.

31. An update on the status of the claim and recovery of the site will be reported to Council, and relevant committees (including the RAC), at the appropriate time.

Options

32. No options have been considered in this report, as the report outlines the content of a draft insurance strategy which will be considered further by RAC following a Council workshop. The report also provides an update on insurance claims, for which no decision, or recommendations are required at this stage.

Consultation Process | Hātepe Matapaki

Significance and Engagement | Te Whakamahi I kā Whakaaro Hiraka

33. This matter is of low significance, as determined by reference to the Council's Significance and Engagement Policy 2024 because it has:

- a lower impact on the importance to the Queenstown Lakes District, providing an increased level of assurance at little additional cost (no additional insurance costs are recommended);
- a lower significance in relation to community interest, as it does not provide for material changes in how services are delivered;
- a lower significance in relation to consistency with existing policies and strategies, as the overview of the draft insurance strategy provides improved Governance oversight, and maintains existing controls;
- a lower impact on the Council's capability and capacity, as the matters outlined in the report provide increased assurance regarding QLDC's insurance programme;
- a lower impact in relation to climate change, supporting the management of risks in this regard; and
- a lower impact in relation Mana Whenua, supporting the management of risks in this regard.

34. The persons who are affected by or interested in this matter are all residents/ratepayers of the Queenstown Lakes district community, as the matters outlined in this report provide increased assurance regarding QLDC's risk framework.

35. The Council has not undertaken consultation in relation to matters outlined in this report, because the matters are of low significance.

Māori Consultation | Iwi Rūnaka

36. As the significance of this matter is low, no consultation with the community or local iwi is required.

Risk and Mitigations | Kā Raru Tūpono me kā Whakamaurutaka

37. This matter relates to the Financial risk category. It is associated with RISK10013 Unexpected change in cost or funding within the QLDC Risk Register. This risk has been assessed as having a high residual risk rating.

38. Residual risk is the estimated level of risk that will exist after the recommended treatment plans are implemented.

39. The development of an effective insurance strategy will allow Council to implement additional controls for this risk. This will be achieved by risk transfer via insurance.

Financial Implications | Kā Riteka ā-Pūtea

40. This report provides an overview of the costs of QLDC's insurance programme and financial losses associated with a fire at Frankton Golf Centre. In both cases the report outlines the financial implications (where known). At the time of writing there are no confirmed additional costs associated with either item beyond that approved through the existing long-term plan.

Council Effects and Views | Kā Whakaaweawe me kā Tirohaka a te Kaunihera

41. The following Council policies, strategies and bylaws were considered:

- Strategic Framework including the Vision Beyond 2050: Our Strategic Framework | Queenstown Lakes District Council has been considered during risk identification, analysis, evaluation and treatment planning considerations regarding QLDC's insurance strategy.
- QLDC Risk Management Policy
- Climate and Biodiversity Action Plan
- QLDC Long Term Plan
- QLDC Spatial Plan
- 30 Year Infrastructure Strategy

42. The recommended option is consistent with the principles set out in the Risk Management Policy.

43. This matter supports the Long Term Plan/Annual Plan through ensuring that an effective risk framework is in place to provide assurance regarding the delivery of planned programmes.

Local Government Act 2002 Purpose Provisions | Te Whakatureture 2002 o te Kāwanataka ā-Kīaka

44. Section 10 of the Local Government Act 2002 states the purpose of local government is (a) to enable democratic local decision-making and action by, and on behalf of, communities; and (b) to promote the social, economic, environmental, and cultural well-being of communities in the present and for the future. This report provides assurance regarding QLDC's risk framework and as such, the recommendation in this report is appropriate and within the ambit of Section 10 of the Act.

45. The recommended option:

- Can be implemented through current funding under the Long-Term Plan and Annual Plan;
- Is consistent with the Council's plans and policies; and

- Would not significantly alter the intended level of service provision for any significant activity undertaken by or on behalf of the Council or transfer the ownership or control of a strategic asset to or from the Council.

Attachments | Kā Tāpirihaka

A	Crime Insurance
B	Drone Liability
C	Employers' Liability
D	General and Public Liability Insurance
E	Hall Hire Liability Insurance
F	Infrastructure Policy
G	Material Damage and Business Interruption Insurance
H	Professional Indemnity Insurance
I	Statutory Liability Insurance
J	Travel Insurance
K	Understanding ACC and its role in insurance claims
L	Vehicle Insurance