

APPENDIX 20

Marsh, *Five Year Insurance Premium Trends-Indicative Forecasts*, May 2008

MARSH



MARSH MERCER KROLL
GUY CARPENTER OLIVER WYMAN

Lindsay Wilcox
Managing Principal

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28 May 2008

Mr Leigh Burrill
Transend Networks Pty Ltd
1-7 Maria Street
Lenah Valley TAS 7008

Subject: Five Year Insurance Premium Trends - Indicative Forecasts

Dear Leigh

Transend Networks Pty Ltd, being a power utility, is considered by the insurance industry as a specialised risk. Only limited underwriters will participate in these risks and the insurance has therefore been underwritten by specialised underwriters operating in the global market with the majority of Transend's insurance placed with Lloyds of London.

Transend's insurance premiums and deductibles are therefore impacted by global power sector market and their specific loss experience. For example the Taum Sauk dam breach, transformer failures and general market losses suffered as a result of hurricanes Katrina and Rita have impacted the prior softer market cycle. These losses do inevitably pass onto the direct buying market.

The availability of market capacity for the utility sector impacts directly on the premium and deductible and the forecast from Marsh Pty Ltd (Transend's insurance brokers) is for an upturn in rates from 2009.

The emerging global risks considered by insurers from 2006 to 2015 time horizons include:-

- Global warming
- Terrorism
- Oil-price spike
- Influenza pandemic
- HIV/Aids, TB and Malaria
- Earthquake

Whilst not all these risks may affect insurance directly a major occurrence will impact on the insurance industry and premium costs.

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MARSH MERCER KROLL
GUY CARPENTER OLIVER WYMAN

Page 2
28 May 2008
Mr Leigh Burrill
Transend Networks Pty Ltd

Other factors affecting premiums and cover will be:-

Cyclical Nature of Insurance

Insurance is driven by capacity – when capacity is low premiums will increase. In 2001 following insurers collapse and September 11, capacity was scarce and premiums increased in some cases by 200% to 300%.

The average market down cycle lasts for 3.5 years – the current soft market started in March 2004 and should start to bottom out in mid to late 2008.

2008 – 2012 is expected to be a period of upward pressure on premiums.

Mergers and Acquisitions

Major Australian insurers are on record of their desire to grow their business through continued acquisitions.

Currently Suncorp have announced a buy-out of Promina (Vero).

CGU and QBE are also known to be considering their options for acquisitions.

Lack of competition is expected to put pressure on insurance rates.

Reinsurance Market

The most current event influencing reinsurance markets was Hurricane Katrina.

Conservatively, Hurricane Katrina will result in about \$40 billion of insured losses. That's the largest loss in the insurance industry's history. Reinsurers will bear about 50 percent of this loss, about \$20 billion.

However, when we look at Katrina in terms of capital, it works out to be only 5 percent of the total capital of the reinsurance business. The loss, from that perspective, is not large.

The issue of most critical importance with regard to Katrina will be the impact of the loss on how people think about the reinsurance market. The loss is causing insurers and reinsurer to reassess their views of the worst-case scenarios that they face on their books of property insurance business.

There seems to be increasing evidence that we're experiencing a period of increased tropical-storm activity in the North Atlantic. This activity began in the mid-1990s, and the US National Hurricane Center expects it to last for 25-40 years. That means that for at least the next 15 years, we may see catastrophe reinsurance losses way outside of historical ranges. This will have an effect on the cost of reinsurance.

MARSH



MARSH MERCER KROLL
GUY CARPENTER OLIVER WYMAN

Page 3
28 May 2008
Mr Leigh Burrill
Transend Networks Pty Ltd

Changes in legislation

Recent tort reforms has eased the burden on insurers – especially public liability insurance. However, if the reforms are seen by the community as too hard, pressure may be borne on the legislators to broaden the scope for action.

Legislative amendments is a consideration by Workers Compensation insurers in Tasmania. Changes to the Workers Rehabilitation and Compensation Act resulted in removal of common law rights of recovery except where the worker suffered more than 30% whole of body disablement.

Subsequently, premium rates have plummeted and are now reaching unsustainable levels. Government announcements of changes to be implemented in 2009 (reduction in the 30% threshold?) will result in increased pressure on rates in 2008 and beyond.

Own Loss Experience

Despite proactive and aggressive risk management practices, a severe bushfire caused by Transend causing loss or damage to own and third party property and life will affect both the premium and deductible levels.

Premium Indicative Forecast

Insurance costs have therefore been factored predominantly as 8 per cent per annum year on year increase with the exception of a more variable increase for Workers Compensation with consideration to legislative changes to be implemented in 2009.

The premium indication is based on the following assumptions

- Claims – there will be no significant deterioration in Transend's claims. Also, the forecast does not take into account any catastrophic losses, which may adversely affect the global reinsurance market.
- Scope of Coverage – the existing policy coverage remains relatively static and insurers capacity to underwrite the risk remains relatively stable.
- CPI – the premium forecasts are based on current 2008 dollars and do not take into consideration CPI increases.

The attached spreadsheets address each year premium costing 2009 to 2014

Yours sincerely,

MARSH



MARSH MERCER KROLL
GUY CARPENTER OLIVER WYMAN

Page 4
28 May 2008
Mr Leigh Burrill
Transend Networks Pty Ltd

A handwritten signature in black ink, appearing to read 'L Wilcox', with a long horizontal line extending to the right.

Lindsay Wilcox
Managing Principal

Transend Networks Pty Ltd

Year 2009-2010

5 Year Premium Trend 2009 to 2014

Policy Classes	2008/2009 Premium	Assets/Wages	Anticipated Rate Increase	2009/2010 Premium	Fire Service Levy/SCL	Sub Total	GST	Stamp Duty	Less Rebate	Total (incl GST)	Total (exc GST)
Combined Property*	\$269,279.63	\$985,958,950	8.00%	290822.00	57001.11	347823.12	7826.02	28451.93	24908.37	359192.70	351366.68
Combined Liability	\$364,304.00		8.00%	393448.32		393448.32	2947.71	6295.16		402691.20	399743.48
Directors & Officers	\$27,000.00		8.00%	29160.00		29160.00	2916.00	2566.08		34642.08	31726.08
Employment Practices	\$5,130.00		8.00%	5540.40		5540.40	554.04	487.56		6582.00	6027.96
Business Practices Prot	\$12,399.75		8.00%	13391.73		13391.73	1339.17	1178.47		15909.38	14570.20
Travel	\$1,665.03		8.00%	1798.23		1798.23	139.54	124.66		2062.43	1922.88
Personal Accident	\$3,534.84		8.00%	3817.63		3817.63	381.76	335.95		4535.34	4153.58
Motor Vehicle	\$28,857.60		8.00%	31166.21		31166.21	3116.62	2742.63		37025.46	33908.83
Sub Total	\$712,170.85			\$769,144.52	\$57,001.11	\$826,145.63	\$19,220.87	\$42,182.44	\$24,908.37	\$862,640.57	\$843,419.70
Workers Compensation**	\$77,851.52	\$16,692,007	10.00%	85636.67	3425.47	89062.14	8906.21			97968.35	89062.14
Total	790,022.37			854,781.19	60,426.58	915,207.77	28,127.09	42,182.44	24,908.37	960,608.93	932,481.84

**Broking fees &
Marketing Costs**

72,100.00 7,210.00 79,310.00 72,100.00

* allows for 0.4% asset increase over previous year

** allows for 3.6% wages increase over previous year

Transend Networks Pty Ltd

Year 2010-2011

5 Year Premium Trend 2009 to 2014

Policy Classes	2009/2010 Premium	Assets/Wages	Anticipated Rate Increase	2010/2011 Premium	Fire Service Levy/SCL	Sub Total	GST	Stamp Duty	Less Rebate	Total (Incl GST)	Total (exc GST)
Combined Property*	\$314,669.41	\$1,066,807,584	8.00%	339842.96	66609.22	406452.18	9145.17	33247.79	29106.92	419738.22	410593.05
Combined Liability	\$393,448.32		8.00%	424924.19		424924.19	3183.53	6798.78		434906.49	431722.96
Directors & Officers	\$29,160.00		8.00%	31492.80		31492.80	3149.28	2771.37		37413.45	34264.17
Employment Practices	\$5,540.40		8.00%	5983.63		5983.63	598.36	526.56		7108.55	6510.19
Business Practices Prot	\$13,391.73		8.00%	14463.07		14463.07	1446.31	1272.75		17182.13	15735.82
Travel	\$1,798.23		8.00%	1942.09		1942.09	150.71	134.63		2227.42	2076.71
Personal Accident	\$3,817.63		8.00%	4123.04		4123.04	412.30	362.83		4898.17	4485.86
Motor Vehicle	\$31,166.21		8.00%	33659.50		33659.50	3365.95	2962.04		39987.49	36621.54
Sub Total	\$792,991.92			\$856,431.27	\$66,609.22	\$923,040.50	\$21,451.62	\$48,076.73	\$29,106.92	\$963,461.93	\$942,010.31
Workers Compensation**	\$88,455.78	\$17,242,843	10.00%	97301.36	3892.05	101193.42	10119.34			111312.76	101193.42
Total	881,447.70			953,732.64	70,501.27	1,024,233.91	31,570.96	48,076.73	29,106.92	1,074,774.68	1,043,203.73

**Broking fees &
Marketing Costs**

74,263.00

81,689.00

74,263.00

* allows for 8.2% asset increase over previous year

** allows for 3.3% wages increase over previous year

Transend Networks Pty Ltd

Year 2011-2012

5 Year Premium Trend 2009 to 2014

Policy Classes	2010/2011 Premium	Assets/Wages	Anticipated Rate Increase	2011/2012 Premium	Fire Service Levy/SCL	Sub Total	GST	Stamp Duty	Less Rebate	Total (incl GST)	Total (exc GST)
Combined Property*	\$348,339.04	\$1,093,477,773	8.00%	376206.16	73736.41	449942.57	10123.71	36805.30	32221.36	464650.21	454526.51
Combined Liability	\$424,924.19		8.00%	458918.12		458918.12	3438.21	7342.68		469699.01	466260.80
Directors & Officers	\$31,492.80		8.00%	34012.22		34012.22	3401.22	2993.08		40406.52	37005.30
Employment Practices	\$5,983.63		8.00%	6462.32		6462.32	646.23	568.68		7677.24	7031.01
Business Practices Prot	\$14,463.07		8.00%	15620.11		15620.11	1562.01	1374.57		18556.70	16994.68
Travel	\$1,942.09		8.00%	2097.45		2097.45	162.76	145.40		2405.61	2242.85
Personal Accident	\$4,123.04		8.00%	4452.88		4452.88	445.29	391.85		5290.02	4844.73
Motor Vehicle	\$33,659.50		8.00%	36352.27		36352.27	3635.23	3199.00		43186.49	39551.26
Sub total	\$864,927.35			\$934,121.54	\$73,736.41	\$1,007,857.94	\$23,414.67	\$52,820.56	\$32,221.36	\$1,051,871.81	\$1,028,457.15
Workers Compensation**	\$100,123.10	\$17,742,885	3.00%	103126.79	4125.07	107251.87	10725.19			117977.05	107251.87
Total	965,050.45			1,037,248.33	77,861.48	1,115,109.81	34,139.85	52,820.56	32,221.36	1,169,848.86	1,135,709.01

Broking fees & Marketing Costs

76,490.00 7,649.00 84,139.00 76,490.00

* allows for 2.5% asset increase over previous year

** allows for 2.9% wages increase over previous year

Transend Networks Pty Ltd

Year 2012-2013

5 Year Premium Trend 2009 to 2014

Policy Classes	2011/2012 Premium	Assets/Wages	Anticipated Rate Increase	2012/2013 Premium	Fire Service Levy/SCL	Sub Total	GST	Stamp Duty	Less Rebate	Total (incl GST)	Total (exc GST)
Combined Property*	\$390,878.20	\$1,136,123,406	8.00%	422148.45	82741.10	504889.55	11360.01	41299.97	36156.23	521393.30	510033.28
Combined Liability	\$458,918.12		8.00%	495631.57		495631.57	3713.27	7930.09		507274.94	503561.66
Directors & Officers	\$34,012.22		8.00%	36733.20		36733.20	3673.32	3232.52		43639.04	39965.72
Employment Practices	\$6,462.32		8.00%	6979.31		6979.31	697.93	614.18		8291.42	7593.49
Business Practices Prot	\$15,620.11		8.00%	16869.72		16869.72	1686.97	1484.54		20041.23	18354.26
Travel	\$2,097.45		8.00%	2265.25		2265.25	175.78	157.03		2598.06	2422.28
Personal Accident	\$4,452.88		8.00%	4809.11		4809.11	480.91	423.20		5713.22	5232.31
Motor Vehicle	\$36,352.27		8.00%	39260.45		39260.45	3926.04	3454.92		46641.41	42715.37
Sub total	\$948,793.58			\$1,024,697.06	\$82,741.10	\$1,107,438.16	\$25,714.25	\$58,596.45	\$36,156.23	\$1,155,592.62	\$1,129,878.37
Workers Compensation**	\$106,749.27	\$18,363,886	4.00%	111019.24	4440.77	115460.01	11546.00			127006.01	115460.01
Total	1,055,542.85			1,135,716.30	87,181.87	1,222,898.17	37,260.25	58,596.45	36,156.23	1,282,598.64	1,245,338.39

**Broking fees &
Marketing Costs**

78,785.00 7,878.50 86,663.50 78,785.00

* allows for 3.9% asset increase over previous year

** allows for 3.5% wages increase over previous year

Transend Networks Pty Ltd

Year 2013-2014

5 Year Premium Trend 2009 to 2014

Policy Classes	2012/2013 Premium	Assets/Wages	Anticipated Rate Increase	2013/2014 Premium	Fire Service Levy/SCL	Sub Total	GST	Stamp Duty	Less Rebate	Total (incl GST)	Total (exc GST)
Combined Property*	\$425,103.49	\$1,144,076,270	8.00%	459111.77	89985.91	549097.68	12354.70	44916.19	39322.07	567046.50	554691.80
Combined Liability	\$495,631.57		8.00%	535282.10		535282.10	4010.33	8564.50		547856.93	543846.60
Directors & Officers	\$36,733.20		8.00%	39671.86		39671.86	3967.19	3491.12		47130.17	43162.98
Employment Practices	\$6,979.31		8.00%	7537.65		7537.65	753.77	663.31		8954.73	8200.97
Business Practices Prot	\$16,869.72		8.00%	18219.30		18219.30	1821.93	1603.30		21644.53	19822.60
Travel	\$2,265.25		8.00%	2446.47		2446.47	189.85	169.59		2805.91	2616.06
Personal Accident	\$4,809.11		8.00%	5193.84		5193.84	519.38	457.06		6170.28	5650.90
Motor Vehicle	\$39,260.45		8.00%	42401.28		42401.28	4240.13	3731.31		50372.72	46132.59
Sub Total	\$1,027,652.10			\$1,109,864.27	\$89,985.91	\$1,199,850.18	\$27,857.27	\$63,596.39	\$39,322.07	\$1,251,981.77	\$1,224,124.50
Workers Compensation**	\$115,339.07	\$19,080,078	4.00%	119952.63	4798.11	124750.74	12475.07			137225.81	124750.74
Total	1,142,991.17			1,229,816.90	94,784.01	1,324,600.92	40,332.34	63,596.39	39,322.07	1,389,207.58	1,348,875.23

Broking fees & Marketing Costs

86,663.00 8,666.30 95,329.30 86,663.00

* allows for .70% asset increase over previous year

** allows for 3.9% wages increase over previous year