



Appendix J

Five Year insurance Premium Trends – Indicative Forecast

3 May 2007

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Dear David

Five Year Insurance Premium Trends - Indicative Forecast

We attach our Five Year Insurance Premium Indicative Forecast. Our methodology in deriving this premium forecast has been to address the key drivers which will impact on ElectraNet's premiums in the short to mid term. These factors are:

- 1) increase in ElectraNet's asset and revenue base
- 2) general firming of the utility/energy market as opposed to other industries. We expect the market to begin to harden in 2007/2008
- 3) broadening Industrial Special Risks policy coverage to include Machinery Breakdown
- 4) claims experience both worldwide and specific to the Utility industry

Set out below is expanded commentary supporting our assumptions:

- **Marsh Market Expectations** – Sourced by our Global and Local Placement Services Division, we have taken into account the changing nature of the insurance cycle over the next five years. This reflects ElectraNet's current insurance arrangements, by which your program is placed in overseas and local markets.

The Power and Utility industry is unique to other industries insofar as it attracts a limited number of insurers willing to write this sector of business. This industry is in a different part of the market cycle to other industries with ElectraNet's major classes of insurance of Industrial Special Risks and Liability (comprising over 85% of total premium spend) seeing a firming in premium rates. We envisage this trend will continue well into 2007/2008. Insurers of Power & Utility business continue to incur major losses and accordingly the extent of any further market firming will be to a large extent dependent on the worldwide utility/energy losses incurred in 2007.

- **ElectraNet's Asset Base, Capital Works Projects and Revenue Forecasts** – Our forecast is linked to ElectraNet's increasing asset base and revenue forecasts over the next five years. In particular, ElectraNet's Industrial Special Risks and Contract Works premiums are based on a policy rate applied to value of assets, therefore, any increase in asset values will have at a minimum a corresponding effect on premium.

It should also be noted that insurers tend to use turnover as a key indicator in pricing their Liability and Directors' and Officers' premiums.

- **Claims** – The forecast is based on the assumption that there is no significant deterioration in ElectraNet's claims. In addition, please note the forecast does not take into account any unforeseen catastrophic losses, which may adversely affect the global reinsurance market. For example, should the insurance and reinsurance market suffer global catastrophic losses as they did in 2005 (for insurance, the US hurricane losses alone contributing to well over US\$50 billion in insured losses) then this could trigger a significant insurance market reaction similar to that seen post September 11, 2001.
- **Scope of Coverage** – The forecasts is dependent upon ElectraNet's policy coverage remaining relatively static and that there is no significant reduction in insurers underwriting your class of industry. Please note that forecast includes the addition of machinery breakdown cover under the Industrial Special Risks Policy and an additional \$50m liability layer to take into account bushfire risk exposure, from the 2007 renewal.
- **CPI** – Our forecast is based on current 2006-2007 dollars and does not take into consideration CPI increases.

We trust that this meets with your requirements, however, if you have any queries or concerns, please do not hesitate to contact us.

Yours sincerely



Chris McKeown
Principal

Att.

ElectraNet
5 Year Premium Trend - 2007 to 2013

2007-2008

Policy Classes	2006/2007 Premium	Anticipated Increase	Premium (Rounded)	GST	Sub Total	SD	SD Amount	Total (incl GST)	Total Amount (excl GST)
Liability**	1,044,500	12.50%	1,175,100	117,510	1,292,610	11.00%	142,187	1,434,797	1,317,287
Industrial Special Risks *	328,605	65.00%	542,200	54,220	596,420	11.00%	65,606	662,026	607,806
Engineering Fee	10,000	2.50%	10,300	1,030	11,330	11.00%	1,246	12,576	11,546
Excess Workers Compensation	30,000	5.00%	31,500	3,150	34,650	11.00%	3,812	38,462	35,312
Marine	1,275	5.00%	1,300	130	1,430	11.00%	157	1,587	1,457
Directors and Officers	74,980	10.00%	82,500	8,250	90,750	11.00%	9,983	100,733	92,483
D&O Supp Legal	17,500	5.00%	18,400	1,840	20,240	11.00%	2,226	22,466	20,626
Statutory Liability	14,040	5.00%	14,700	1,470	16,170	11.00%	1,779	17,949	16,479
Employment Practices Liability	11,000	5.00%	11,600	1,160	12,760	11.00%	1,404	14,164	13,004
Corporate Travel	2,350	2.50%	2,400	240	2,640	11.00%	290	2,930	2,690
Group Personal Accident	2,220	5.00%	2,300	230	2,530	11.00%	278	2,808	2,578
Contract Works	19,536	15.00%	22,500	2,250	24,750	11.00%	2,723	27,473	25,223
Total	1,556,006		1,914,800	191,480	2,106,280		231,691	2,337,971	2,146,491

* Includes Machinery Breakdown cover from 2007 renewal

** Includes additional \$50m layer for increased bushfire cover

ElectraNet
5 Year Premium Trend - 2007 to 2013

2008-2009

Policy Classes	2007/2008 Premium	Anticipated Increase	Premium (Rounded)	GST	Sub Total	SD	SD Amount	Total (incl GST)	Total Amount (excl GST)
Liability	1,175,100	7.50%	1,263,200	126,320	1,389,520	11.00%	152,847	1,542,367	1,416,047
Industrial Special Risks	542,200	10.00%	596,400	59,640	656,040	11.00%	72,164	728,204	668,564
Engineering Fee	10,300	2.50%	10,600	1,060	11,660	11.00%	1,283	12,943	11,883
Excess Workers Compensation	31,500	5.00%	33,100	3,310	36,410	11.00%	4,005	40,415	37,105
Marine	1,300	5.00%	1,400	140	1,540	11.00%	169	1,709	1,569
Directors and Officers	82,500	7.50%	88,700	8,870	97,570	11.00%	10,733	108,303	99,433
D&O Supp Legal	18,400	5.00%	19,300	1,930	21,230	11.00%	2,335	23,565	21,635
Statutory Liability	14,700	5.00%	15,400	1,540	16,940	11.00%	1,863	18,803	17,263
Employment Practices Liability	11,600	7.50%	12,500	1,250	13,750	11.00%	1,513	15,263	14,013
Corporate Travel	2,400	2.50%	2,500	250	2,750	11.00%	303	3,053	2,803
Group Personal Accident	2,300	5.00%	2,400	240	2,640	11.00%	290	2,930	2,690
Contract Works	22,500	10.00%	24,800	2,480	27,280	11.00%	3,001	30,281	27,801
Total	1,914,800		2,070,300	207,030	2,277,330		250,506	2,527,836	2,320,806

ElectraNet
5 Year Premium Trend - 2007 to 2013

2009-2010

Policy Classes	2008/2009 Premium	Anticipated Increase	Premium (Rounded)	GST	Sub Total	SD	SD Amount	Total (incl GST)	Total Amount (excl GST)
Liability	1,263,200	7.50%	1,357,900	135,790	1,493,690	11.00%	164,306	1,657,996	1,522,206
Industrial Special Risks	596,400	10.00%	656,000	65,600	721,600	11.00%	79,376	800,976	735,376
Engineering Fee	10,600	2.50%	10,900	1,090	11,990	11.00%	1,319	13,309	12,219
Excess Workers Compensation	33,100	5.00%	34,800	3,480	38,280	11.00%	4,211	42,491	39,011
Marine	1,400	5.00%	1,500	150	1,650	11.00%	182	1,832	1,682
Directors and Officers	88,700	7.50%	95,400	9,540	104,940	11.00%	11,543	116,483	106,943
D&O Supp Legal	19,300	5.00%	20,300	2,030	22,330	11.00%	2,456	24,786	22,756
Statutory Liability	15,400	5.00%	16,200	1,620	17,820	11.00%	1,960	19,780	18,160
Employment Practices Liability	12,500	7.50%	13,400	1,340	14,740	11.00%	1,621	16,361	15,021
Corporate Travel	2,500	2.50%	2,600	260	2,860	11.00%	315	3,175	2,915
Group Personal Accident	2,400	5.00%	2,500	250	2,750	11.00%	303	3,053	2,803
Contract Works	24,800	10.00%	27,300	2,730	30,030	11.00%	3,303	33,333	30,603
Total	2,070,300		2,238,800	223,880	2,462,680		270,895	2,733,575	2,509,695

ElectraNet
5 Year Premium Trend - 2007 to 2013

2010-2011

Policy Classes	2009/2010 Premium	Anticipated Increase	Premium (Rounded)	GST	Sub Total	SD	SD Amount	Total (incl GST)	Total Amount (excl GST)
Liability	1,357,900	7.50%	1,459,700	145,970	1,605,670	11.00%	176,624	1,782,294	1,636,324
Industrial Special Risks	656,000	10.00%	721,600	72,160	793,760	11.00%	87,314	881,074	808,914
Engineering Fee	10,900	2.50%	11,200	1,120	12,320	11.00%	1,355	13,675	12,555
Excess Workers Compensation	34,800	5.00%	36,500	3,650	40,150	11.00%	4,417	44,567	40,917
Marine	1,500	5.00%	1,600	160	1,760	11.00%	194	1,954	1,794
Directors and Officers	95,400	7.50%	102,600	10,260	112,860	11.00%	12,415	125,275	115,015
D&O Supp Legal	20,300	5.00%	21,300	2,130	23,430	11.00%	2,577	26,007	23,877
Statutory Liability	16,200	5.00%	17,000	1,700	18,700	11.00%	2,057	20,757	19,057
Employment Practices Liability	13,400	7.50%	14,400	1,440	15,840	11.00%	1,742	17,582	16,142
Corporate Travel	2,600	2.50%	2,700	270	2,970	11.00%	327	3,297	3,027
Group Personal Accident	2,500	5.00%	2,600	260	2,860	11.00%	315	3,175	2,915
Contract Works	27,300	10.00%	30,000	3,000	33,000	11.00%	3,630	36,630	33,630
Total	2,238,800		2,421,200	242,120	2,663,320		292,965	2,956,285	2,714,165

ElectraNet
5 Year Premium Trend - 2007 to 2013

2011-2012

Policy Classes	2010/2011 Premium	Anticipated Increase	Premium (Rounded)	GST	Sub Total	SD	SD Amount	Total (incl GST)	Total Amount (excl GST)
Liability	1,459,700	7.50%	1,569,200	156,920	1,726,120	11.00%	189,873	1,915,993	1,759,073
Industrial Special Risks	721,600	10.00%	793,800	79,380	873,180	11.00%	96,050	969,230	889,850
Engineering Fee	11,200	2.50%	11,500	1,150	12,650	11.00%	1,392	14,042	12,892
Excess Workers Compensation	36,500	5.00%	38,300	3,830	42,130	11.00%	4,634	46,764	42,934
Marine	1,600	5.00%	1,700	170	1,870	11.00%	206	2,076	1,906
Directors and Officers	102,600	7.50%	110,300	11,030	121,330	11.00%	13,346	134,676	123,646
D&O Supp Legal	21,300	5.00%	22,400	2,240	24,640	11.00%	2,710	27,350	25,110
Statutory Liability	17,000	5.00%	17,900	1,790	19,690	11.00%	2,166	21,856	20,066
Employment Practices Liability	14,400	7.50%	15,500	1,550	17,050	11.00%	1,876	18,926	17,376
Corporate Travel	2,700	2.50%	2,800	280	3,080	11.00%	339	3,419	3,139
Group Personal Accident	2,600	5.00%	2,700	270	2,970	11.00%	327	3,297	3,027
Contract Works	30,000	10.00%	33,000	3,300	36,300	11.00%	3,993	40,293	36,993
Total	2,421,200		2,619,100	261,910	2,881,010		316,911	3,197,921	2,936,011

ElectraNet
5 Year Premium Trend - 2007 to 2013

2012-2013

Policy Classes	2011/2012 Premium	Anticipated Increase	Premium (Rounded)	GST	Sub Total	SD	SD Amount	Total (incl GST)	Total Amount (excl GST)
Liability	1,569,200	7.50%	1,686,900	168,690	1,855,590	11.00%	204,115	2,059,705	1,891,015
Industrial Special Risks	793,800	10.00%	873,200	87,320	960,520	11.00%	105,657	1,066,177	978,857
Engineering Fee	11,500	2.50%	11,800	1,180	12,980	11.00%	1,428	14,408	13,228
Excess Workers Compensation	38,300	5.00%	40,200	4,020	44,220	11.00%	4,864	49,084	45,064
Marine	1,700	5.00%	1,800	180	1,980	11.00%	218	2,198	2,018
Directors and Officers	110,300	7.50%	118,600	11,860	130,460	11.00%	14,351	144,811	132,951
D&O Supp Legal	22,400	5.00%	23,500	2,350	25,850	11.00%	2,844	28,694	26,344
Statutory Liability	17,900	5.00%	18,800	1,880	20,680	11.00%	2,275	22,955	21,075
Employment Practices Liability	15,500	7.50%	16,700	1,670	18,370	11.00%	2,021	20,391	18,721
Corporate Travel	2,800	2.50%	2,900	290	3,190	11.00%	351	3,541	3,251
Group Personal Accident	2,700	5.00%	2,800	280	3,080	11.00%	339	3,419	3,139
Contract Works	33,000	10.00%	36,300	3,630	39,930	11.00%	4,392	44,322	40,692
Total	2,619,100		2,833,500	283,350	3,116,850		342,854	3,459,704	3,176,354