2023-27
POWERLINK QUEENSLAND REVENUE PROPOSAL

Appendix 6.04 – PUBLIC

Marsh
Insurance Projections

MARSH

MARSH 3D

INSURANCE REVENUE RESET SUPPORT - SERVICES

INSURANCE MARKET UPDATE, PREMIUM PROJECTIONS AND FORECAST SELF-INSURANCE REQUIREMENTS 2022/23 TO 2026/27

POWERLINK QUEENSLAND

JANUARY 2021

SOLUTIONS...DEFINED, DESIGNED, AND DELIVERED.

MARSH & McLENNAN COMPANIES

CONTENTS

THE PRIVACY OFFICER
Marsh Pty Limited
PO Box H176,
Australia Square NSW 1215
Tel: 02 8864 7688 | Fax: 02 8864 7626
Email: privacy.australia@marsh.com

Dear Powerlink,

In accordance with our proposal, we are pleased to enclose our report documenting our Insurance Market update and our estimate of Powerlink Queensland's premium projections and self-insurance requirements for the regulatory period 2022/23 to 2026/27.

We confirm that we have made all the inquiries that we believe are desirable and appropriate and that no matters of significance that we regard as relevant have, to our knowledge, been withheld.

As premiums may vary based on insurance market events, claims and changing of underwriting conditions, we would welcome the opportunity to keep Powerlink updated on market trends particularly given current market volatility.

Please do not hesitate to contact us should you have any queries in relation to this report.

Kind Regards,

[redacted]

ISSUING OFFICE
Marsh Pty Ltd
ABN 86 004 651 512
111 Eagle Street
BRISBANE QLD 4000
GPO Box 2743
BRISBANE QLD 4001
www.marsh.com.au

EXECUTIVE SUMMARY

Introduction

Marsh Pty Ltd (Marsh) has been engaged by Powerlink Queensland (Powerlink) to provide a forecast of their insurance premiums payable for the five-year regulatory period spanning 2022/23 to 2026/27. Our advice has been prepared pursuant to our proposal. We understand that our report will be provided to the Australian Energy Regulator (AER) as part of Powerlink's Regulatory Proposal.

The advice set out in this report has been prepared by Gerard O'Kelly, Nicole Farrell and Kristin Lloyd of Marsh. Our experience and qualifications have been provided as part of our proposal. This report has been developed based on material provided by Powerlink, market research and analysis, relevant insurance and industry references.

This Executive Summary outlines the key findings of our work. The main body of the report provides a more complete description of our advice, including reliance's and limitations, and should be read fully in order to place our findings in their appropriate context.

Findings

Premium Forecasts

The below table shows a summary of our estimated annual cost of Powerlink's insurance premiums split between the various classes of risk that Powerlink intends to purchase insurance for during the next regulatory period (2022/23 to 2026/27).

[redacted]

Table 1. Summary of Premium Forecasts (Nominal)

FY Year	Total Premium Inc. Professional Fees	Change
2022-23	10,157,163	
2023-24	11,166,225	9.93%
2024-25	12,819,949	14.81%
2025-26	13,684,739	6.75%
2026-27	14,642,809	7.00%
Total for 2022/27	62,470,885	

Our forecast of Powerlink's insurance premiums for the next regulatory period commencing 1 July 2022 is $62.4 million inclusive of all costs such as stamp duty and broker fees (excluding GST).

The insurance industry is currently undergoing a continuing hardening phase in terms of premiums, coverage and capacity. We expect the insurance market to remain in the "hard" phase of the cycle for the next few years with significant increases expected over the regulatory period 2022/23 to 2026/27.

Our estimate of the annual premium cost starts at $10.15 million for 2022/23 and is expected to increase to $14.64 million in 2026/27.

Self-Insurance Forecasts

The below table shows a summary of our estimated self-insurance forecasts for the next regulatory period (2022/23 to 2026/27).

Table 2. Summary of Self-Insurance Forecasts (Nominal)

FY Year	Self-insurance forecast
2022-23	1,214,000
2023-24	1,238,280
2024-25	1,263,046
2025-26	1,288,306
2026-27	1,314,073
Total for 2022/27	**6,317,705**

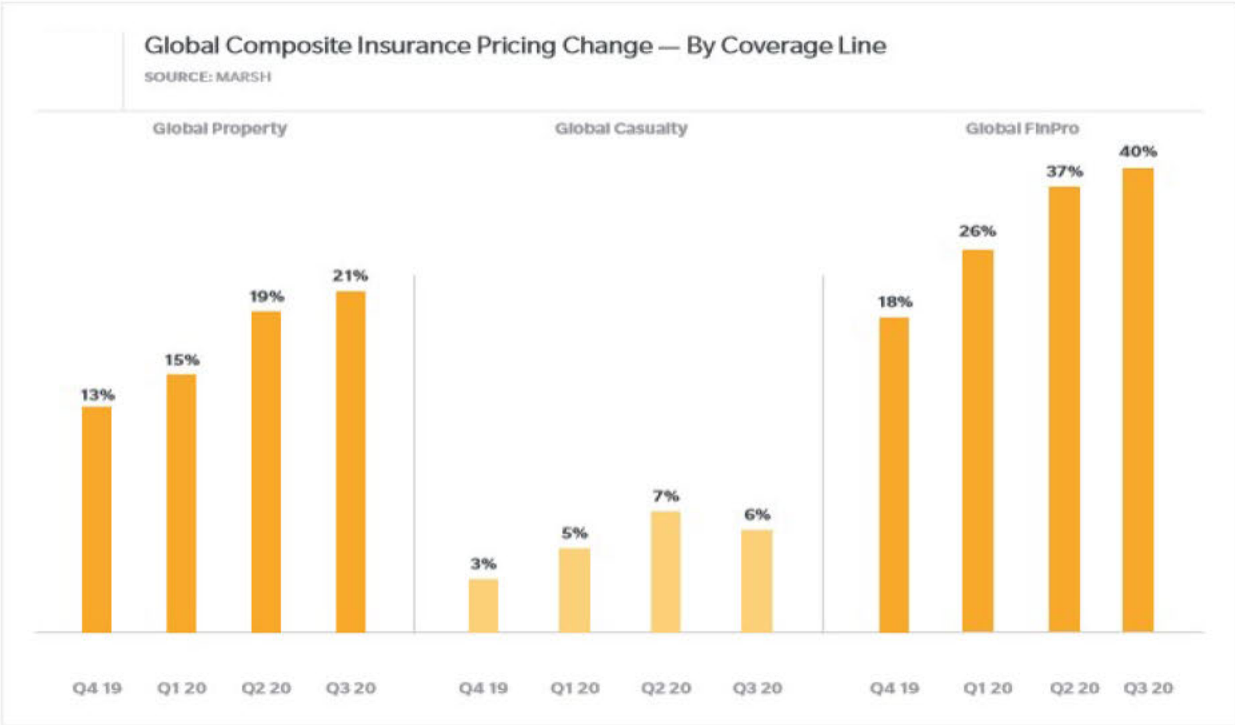
Our forecast of Powerlink's self-insurance allowance for the next regulatory period commencing 1 July 2022 is $6.3 million.

MARKET UPDATE AS AT Q3 2020

Below is a high-level summary of the Global Insurance Marsh Market report – 2020 Q3 (refer Marsh website).

Global Market

Figure 1 – Global Insurance Pricing Change – By Coverage Line



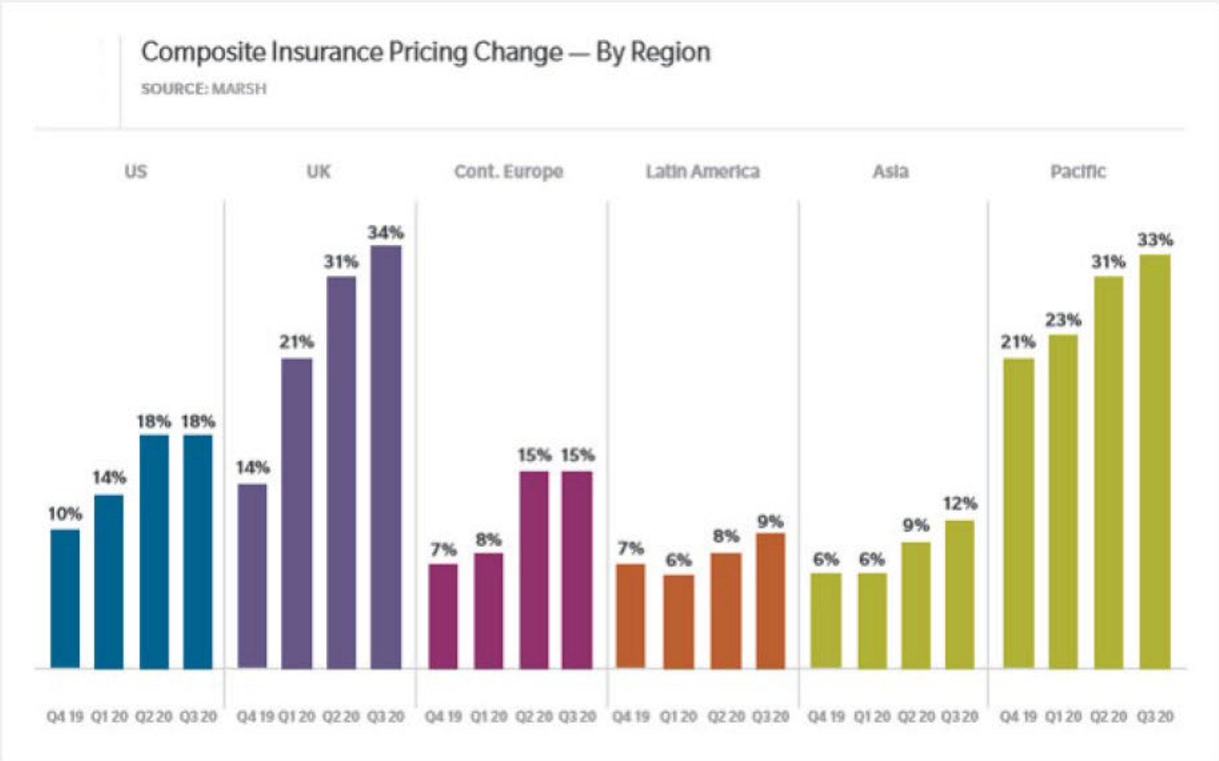
In Q3 2020, as illustrated above, the global insurance market experienced pricing increases in many geographies and across multiple products.

- Pricing increased in all three major product lines – Property, Casualty and Financial Lines
    - Property insurance pricing globally increased by 21%. This covers all real and personal property of every kind and description (not otherwise excluded) for which a value has been declared to insurers.
    - Casualty (Liability) pricing globally increased by 6%. This covers Legal Liability to third parties for personal injury and/or property damage happening during the period of insurance, arising out of the business and/or the products as a result of an occurrence.
    - Financial and professional liability globally rose by 40%. Includes Directors' & Officers' Liability, Professional Indemnity, Employment Practices Liability, Statutory Liability and Cyber.
- All regions demonstrated consecutive quarters of composite pricing increases

For clarification, the graph indicates the change in expiring premiums per quarter using the previous relevant renewal as the baseline e.g. an insured who renewed their property policy in Q3 2019 would expect on average an increase on their Q3 2020 premiums of 21%.

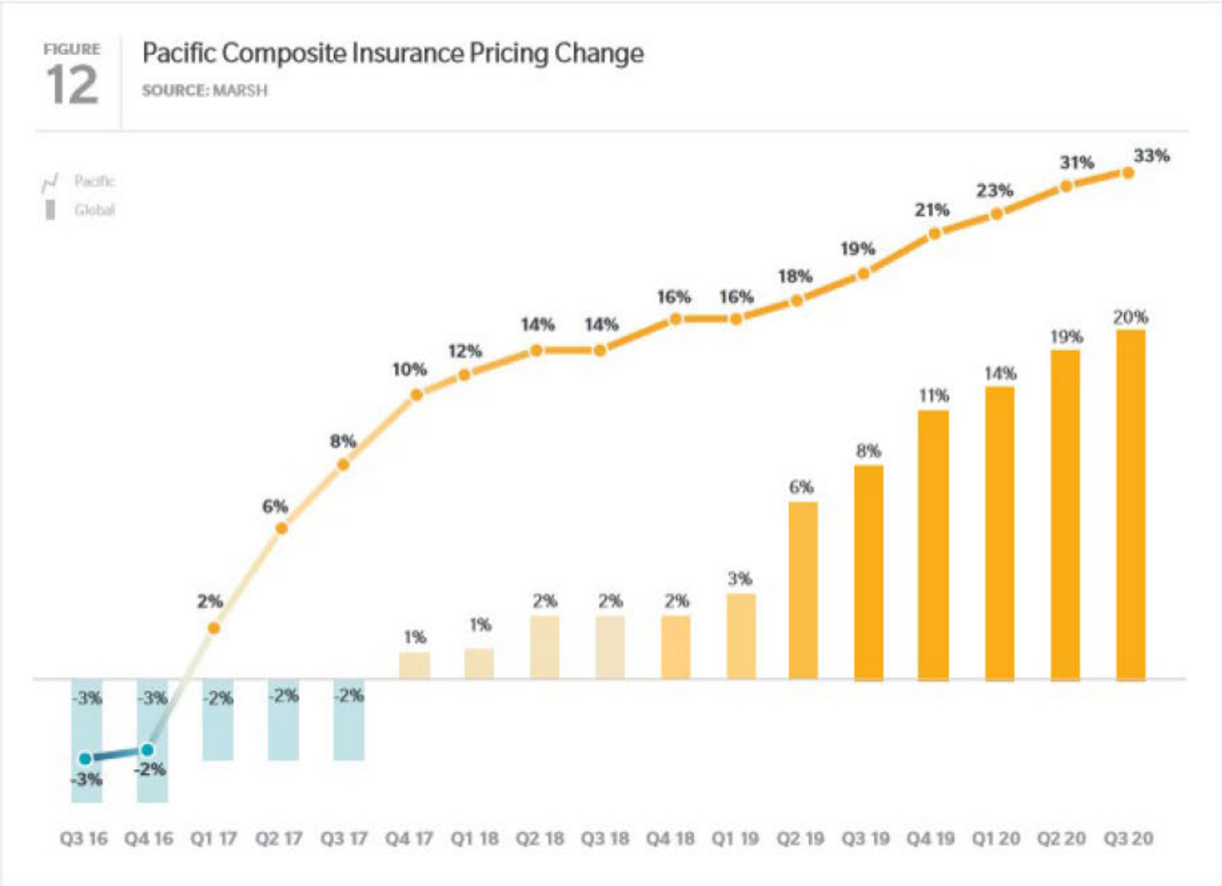
The below graph outlines a hardening market from both a global and regional perspective.

Figure 2 – Global Insurance Pricing Change – By Region



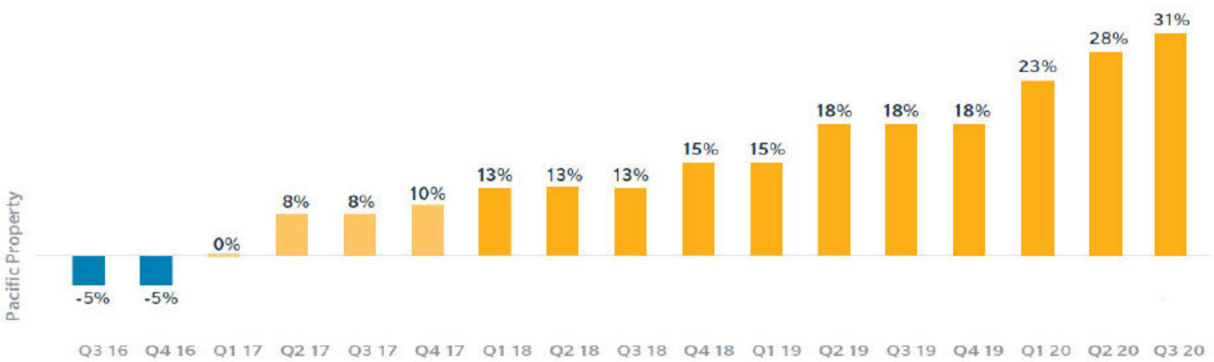
Pacific Market (including Australia)

Figure 3 - Pacific Insurance Pricing Change



As below, Property insurance pricing has increased by 31% percent in the 3rd quarter 2020. Similar to prior quarters, increases were observed across many industries, along with reduced capacity and cover amendments (refer Figure 4 below).

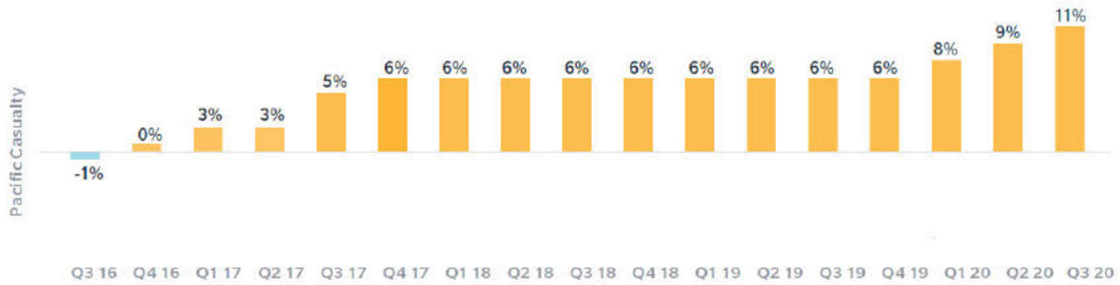
Figure 4 – Pacific Property Insurance Pricing Change



Casualty (Liability) insurance pricing rose 11%, a trend of mid–single digit increases that has continued for three years. Competition in the casualty market increased but pricing continued to rise at a fairly consistent rate (refer Figure 5 below).

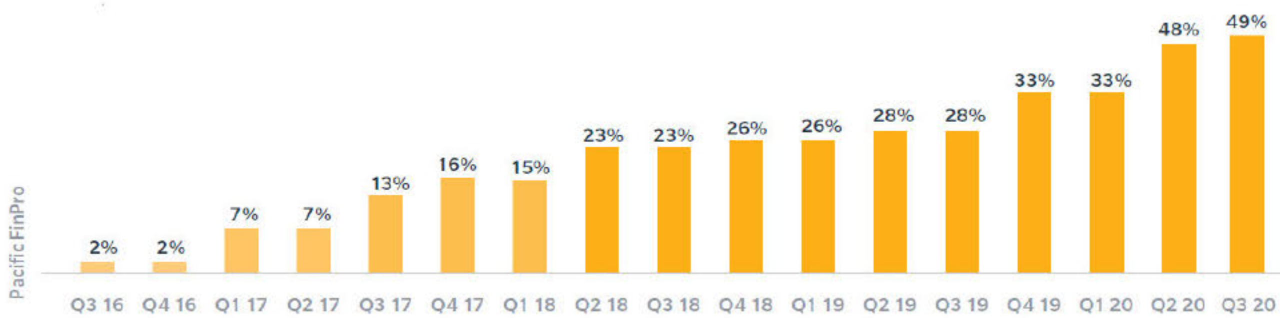
Premium cost of Bushfire capacity increasing at concerning levels, with some withdrawal of capacity.

Figure 5 – Pacific Casualty Insurance Pricing Change



Financial and professional liability; pricing again rose more than 49% in the quarter, marking 13 straight quarters of double digit increases (refer Figure 6 below).

Figure 6 – Financial and Professional Liability Pricing Change



Analysis

The above information highlights that compared to Q3 2020 data in Figure 3 (Insurance Pricing Change – By Region). Powerlink renewed (30 November 2020) its insurance program well within the average renewal outcome i.e. 21% as compared to the Pacific average increase of 33+%.

This performance above expectation is due to a combination of factors including existing Long Term Agreements, Margin Clauses and No Claims Discounts. Due to hardening conditions, it is expected that these factors will become more difficult to maintain with insurers and therefore cannot be guaranteed as part of the Powerlink insurance program during the next reset period.

This could result in Powerlink's forecast premiums being more closer aligned to industry averages and forecasts, with previous past out performance expected to be progressively eroded.

SUMMARY OF MARKET UPDATES

The following diagrams illustrate the insurance market cycle. Current cycle position is a 'Hard Market' represented by increased premiums and restricted cover.

Figure 7 – Insurance Cycle

Figure 8 – Market Behaviours of Hard Market Cycle

Of note, the current hard market is characterised by the below key factors:

- Moderate to high increases in all premium classes
- More selective underwriting and greater due diligence by insurers including the requirement to provide significant amounts of information
- Reduction in capacity and cover e.g. policy exclusions are becoming increasing common
- Reduction in ability to write Long Term Agreements
- Increase in exclusions particularly cyber and communicable / infectious disease related
- Removal of incidental inclusions / benefits including No Claims Discounts and Margin clauses.

PREMIUM PROJECTIONS

Background

Powerlink is a government-owned organisation that owns Queensland's high-voltage electricity transmission network. The network extends 1,700 km from the northern NSW border up to far-north Queensland. Powerlink's main activity is transportation of electricity on its high-voltage transmission network from generators to an electricity distribution network and major high voltage customers. The Australian Energy Regulator (AER) sets Maximum Allowable Revenue for Powerlink for each five-year regulatory period.

Scope

The scope of our review is to provide estimates of the total premium payable by Powerlink across the five-year period 2022/23 to 2026/27, with separate estimates for each year. The estimated costs provided are the insurance base premiums payable plus an estimate of taxes and levies, excluding GST (reflected as Total Premium in the tables). The broker fees are shown separately.

Our estimates include allowance for the following insurance classes:

- Industrial Special Risks (ISR) (includes Terrorism wrap cover)
- Towers and Lines
- General and Products Liability (Combined Liability including Bushfire)
- Financial Professional lines (FINPRO) including:
    - Directors' and Officers'
    - Employment Practices
    - Professional Indemnity
    - Corporate Practices Protection (Inquiry Costs & Statutory Liability)
    - Cyber Insurance (in place since April 2016)
- Other Ancillary classes of insurance, including:
    - Motor Vehicle
    - Marine Cargo
    - Business Travel

We have excluded the premiums for a number of other insurable risks for which Powerlink currently purchases insurance. Specifically, we have excluded the following groups of insurance:

- Contract Works and Construction Liability (Principal Controlled Insurance arrangements)
- Income Protection for Redundant Staff
- Workers Compensation.

Basis of Estimates

We have prepared our annual estimated premiums for Powerlink on the basis that they:

- Consider the projected growth in the asset values of Powerlink's insurable asset values over the regulatory period. The projected asset values were provided by Powerlink and show minimal to no growth over the regulatory period 2022/23 to 2026/27.
- Assume a continuing hard market, which begins to soften throughout the period i.e. reflected as continuing moderate increases in premium and stabilising towards the end of the period. We have also assumed the absence of any catastrophe events that would likely have a significant effect on future premiums however we have assumed a claim for the Industrial Special Risks policy based on an above deductible claim approximately every 2.3 years.

- Include an allowance for all reasonably expected statutory taxes and levies, excluding GST. Our allowance for these costs has been based on the level of these costs included in the historical premiums. Powerlink use the services of two insurance brokers (Marsh – Retail; and Ed Broking – Wholesale) for advice on the appropriateness of their insurance program and to source the most competitive rates available in the global market.
- Are central estimates (i.e. Mean values of the range of possible, credible outcomes)

Ed Brokings' independent view of projected premium forecasts is consistent with those developed by Marsh.

At the time of writing, consideration also needs to be given to the impact on the Insurance Market following COVID 19 claims. At this point it is too early to provide specifics but will at very least present macro issues likely with coverage and possibly pricing on some classes of insurance.

Comments on Insurance Program

The existing program is fit for purpose and balances risk exposure with appropriate insurance and regulatory arrangements. The insurance requirements, including limits, sub-limits and deductibles, are informed by a range of processes comprising:

- Annual development and approval of a Powerlink Insurance Renewal Strategy. This Strategy forms a critical component of the insurance program renewal process, supports good governance and provides a transparent and justifiable mechanism to review the insurance program structure and suitability.
- Powerlink and external generated risk assessments (may include exposure analysis) and reviews.
- Maximum foreseeable loss (MFL) studies:
    - Powerlink periodically undertakes analysis of credible scenarios e.g. credible bushfire and loss of supply liability events, to verify that it is maintaining appropriate insurance cover.
- Underwriter engineering reports:
    - Powerlink engages specialist service providers and / or Industrial Special Risk (ISR) underwriters to complete an annual inspection of targeted Powerlink sites to assess risk exposures and for Powerlink to address risk recommendations (if any).
- Broker advice, expertise and market analysis:
    - Including insurance renewal analysis against market updates.
    - Policy (e.g. limits, premium rates, coverage) benchmarking against comparative industry peers. Of note, that in classes that can be authoritatively benchmarked e.g. for ISR, Powerlink is within 1st Quartile of rate per 100 Total Insured Values of peer companies.
    - Continuous review and monitoring of policy wording.
- Powerlink claims history and loss ratios:
    - This provides a mechanism to validate coverage and limits, and an opportunity to pursue improvements where coverage gaps or clarifications are required.
    - Also allows Powerlink to benchmark Loss Ratio's premium v. claims

As outlined, Powerlink supported by its Brokers, continually review its insurance requirements against the organisational and external environment. Policy limits, sub-limits, deductibles and uninsured risks are reviewed annually and may change based on factors including risk profile, market capacity, and pricing.

Industrial Special Risks

Historically, Powerlink's premium and rate for this policy has remained relatively stable, due to Long Term Agreements and extensions within the policy that allow for an increase in asset values with no additional premium being charged at renewal. As the market has now changed and the Long Term Agreements may well expire before the new regulatory reset period begins, these are considered unlikely to continue and are not taken into account in our premium forecasts.

[redacted] The policy limit and deductible is assessed as appropriate for Powerlink's risk exposure and what is reasonable for an efficient and prudent Network Service Provider (NSP).

Based on historical events on one above deductible claim every 2.3 years, we have assumed one significant claimable loss under this policy which is reflected in the projection below.

The premium charged for this policy is calculated on the rate charged by insurers, applied to the Total Insured Values declared by Powerlink. Powerlink have provided us with the estimated Total Insured Values for the forthcoming regulatory period.

Our premium projection is detailed below.

Table 3. Summary of Industrial Special Risks (Including Terrorism Wrap) Forecasts (Nominal)

Industrial Special Risks (Including Terrorism Wrap)

[redacted]

Towers & Lines

This cover is not a policy that can typically be purchased within the insurance market, as most insurers have treaty agreements, which preclude cover for Towers & Lines. This limits the number of available markets, and there is currently only one Australian domestic market underwriting the placement.

Historically Powerlink's premium and rate for this policy has remained relatively stable, again due to Long Term Agreements and extensions within the policy that allow for an increase in asset values with no additional premium being charged at renewal. As the market has now changed and the Long Term Agreements may well expire before the new regulatory reset period begins, these are not taken into consideration in our premium forecasts.

[redacted] The policy limit and deductible is assessed as appropriate for Powerlink's risk exposure and what is reasonable for an efficient and prudent Network Service Provider.

We have not assumed any claim in the projection below.

The premium charged for this policy is calculated on the rate charged by insurers, applied to the Total Insured Values declared by Powerlink. Powerlink have provided us with the estimated Total Insured Values for the forthcoming regulatory period.

Our premium projection is detailed below.

Based on the loss history and premiums paid vs cover for this specific policy; [redacted] This assumption is based on our understanding of the current Lead insurers position in reference to this policy and their strong relationship with Powerlink. [redacted]

However given the lack of general appetite and only select group of insurers capable of underwriting this cover, competition will be minimal and there may not be alternative options outside current markets. There is also the risk of change of underwriter (losing the continuity/relationship) or more broadly a change of underwriting philosophy within one of the key insurers. Unlike ISR, replacement capacity will not be readily available.

If this cover does not remain a viable risk transfer to insurers, then it will also need to be considered as a nominated pass through event and/or in a self-insurance allowance where appropriate.

Our premium projection is detailed below.

Table 4. Summary of Towers & Lines Forecasts (Nominal)

[redacted]

Combined General Liability

[redacted]

- Bushfire Liability [redacted]
- Failure to Supply & Pure Financial Loss [redacted]
- Pollution Liability [redacted]
- Liability arising out of Electromagnetic Radiation [redacted]
- Professional Indemnity [redacted]

Historically, a large proportion of this placement has been in Long Term Agreements and the premium has remained relatively stable. A number of the markets were unable to agree to extend existing Long Term Agreements at last year's renewal. Again, we expect most, if not all, of the Long Term Agreements to expire before the new regulatory reset period begins and have factored this into our forecast. In addition, pricing and coverage will be impacted by a contracted reinsurance market that may reduce capacity or discontinue covering Bushfire Liability risk, which is a particular concern.

The policy limit is assessed as appropriate for Powerlink's risk exposure. This is supported by periodic Maximum Foreseeable Loss (MFL) studies addressing credible scenarios e.g. credible bushfire and loss of supply liability events, to verify that Powerlink is maintaining appropriate insurance cover. Of note and in reference to bushfire limits, a comparison and benchmark of peers plus MFL studies of credible worst-case scenarios strongly supports current limits.

[redacted]

[redacted]

If increases in premiums become unsustainable, again Powerlink may need to consider regulatory pass through arrangements, seek to partially self-insure and / or review coverage requirements.

Our premium projection is detailed below.

Table 5. Summary of Combined General Liability Forecasts (Nominal)

[redacted]

Bushfire Liability

At this time of writing this report, there are increasing challenges in the market securing Bushfire Liability capacity and this has deteriorated further throughout this year, which Powerlink experienced during the most recent renewal. All insurers that have the ability to write bushfire were approached to obtain terms and almost all of those markets are now on the Powerlink program, with the exception of the couple of insurers that were charging four to five times the average market pricing.

Insurers are reviewing their underwriting models to determine impact of climate change and increasing litigation costs. They are seeking to better understand the impact of Worst Foreseeable Loss events by sourcing mapping and population exposure around high Bushfire zones.

How insurers and re-insurers are treating capacity, pricing and coverage is increasingly changing which will have an ongoing material impact on premiums.

Powerlink has and continues to differentiate itself in the insurance market against other NSPs, particularly those in southern states and those that are Distribution Networks. This differentiation is supported by ongoing independent analysis of associated risks (e.g. bushfire, flood, wind) which are highly valued by insurers and form part of their increasing due diligence activities.

It is noted that Powerlink continues to assess and improve its control environment in reference to bushfire liability. This includes the establishment of a Bushfire Mitigation Working Group and ongoing review and improvement of related asset management and vegetation management activities.

Financial Lines

Powerlink purchase the following Financial Lines policies:

- Directors' & Officers' Liability
- Employment Practices Liability
- Professional Indemnity
- Corporate Practices Protection (Inquiry Costs & Statutory Liability)
- Cyber Insurance.

The policies are subject to various limits and deductibles however the overall exposure to Powerlink in terms of deductibles is minimal, as the policies have been claims free for the last five years. The relevant policy limits and deductibles are assessed as appropriate for Powerlink's risk exposure.

The Financial Lines market has been significantly harder than the General Lines market for a number of years with no signs of changing. Powerlink do not purchase Side C cover (relevant to ASX listed companies only) under their Directors' and Officers' policy, which, to an extent, has protected Powerlink from more material increases.

We have assumed no change to the current policy limits, and no material changes to the current deductibles. We have not assumed any losses will occur within the forthcoming regulatory period that is consistent with no claims against these policies to date.

Our premium projection is detailed below.

Table 6. Summary of Financial Lines Forecasts (Nominal)

[redacted]

Ancillary Lines

Powerlink purchase the following Ancillary Lines policies:

- Motor Vehicle
- Business Travel
- Marine Cargo.

These policies are subject to various limits and deductibles, however the overall exposure to Powerlink in terms of deductibles is minimal as the policies have low deductibles when compared to the possible exposure under the policy. The relevant policy limits and deductibles are assessed as appropriate for Powerlink's risk exposure.

The Ancillary Lines market has historically been quite stable, with a number of markets able to offer coverage at significantly cheap rates with many insurers seeking greater market share at unsustainable premium levels. Insurers have now realised this and are now rectifying their portfolios, re-rating risks and charging the technical rates which are required to ensure that the portfolios remain sustainable.

We have assumed no change to the current policy limits, and no material changes to the current deductibles.

Our premium projection is detailed below.

Table 7. Summary of Ancillary Lines Forecasts (Nominal)

[redacted]

Professional Fees

Powerlink currently utilises the services of two brokers, Marsh Pty Ltd for the retail broking, and Ed Broking for the wholesale broking. These services include brokerage, specialist advice and supporting technical reports along with supporting Powerlink to position itself strongly in the market with insurers

Our projection for the professional fees is detailed below.

Table 8. Summary of Professional Fees Forecasts (Nominal)

[redacted]

PREMIUM PROJECTION ASSUMPTIONS

- The claims loss history data as supplied by Powerlink is accurate and representative of loss history.
- That underwriting information provided by Powerlink such as asset values, vehicle numbers and other data to satisfy disclosure requirements.
- The estimates include base premium, terrorism levy, stamp duty, BUT excludes GST.
- No new policies to be put in place plus no material change to current policy coverage including limits, deductibles, etc.
- Vehicle numbers, trip estimates, transit estimates all remain flat.
- No major claims have been taken into account with the exception of that noted for the Industrial Special Risks placement.
- No provision for significant change in risk profile or change in company structure.
- No provision for significant deterioration of claims experience, or significant claims affecting the market, e.g. Natural catastrophe events or unforeseen events such as COVID 19.
- No Claims Discounts (NCDs) have been excluded in line with market changes and insurer requirements.
- CPI has not been directly built in to premium forecasts but is assumed to be part of year on year changes embedded within the Average Premium Rate.
- Forecasts are estimates ONLY with a range of uncertainties both known and unknown. The Forecast should therefore be viewed as an average with most likely outcomes + or - 10%.
- Excludes Principal Controlled Insurance (Line Refit and Easement Maintenance), Income Protection and Workers Compensation.

FORECAST SELF-INSURANCE REQUIREMENTS

Background

Marsh has undertaken an analysis of Powerlink's retained loss history and our observations follow in connection with forecast self-insurance provisions for certain classes of insurance.

Our observations are prefaced on our understanding and interpretation of the loss data supplied by Powerlink.

Comments on Self-Insurance Application (SIA)

The AER approved SIA allowance (for the Regulated Asset Base) entitles Powerlink to recover:

- below deductible losses for the relevant insurance policy
- above policy limit losses below 1 per cent of the Maximum Allowable Revenue (MAR) for Powerlink for that regulatory year
- any differential between what an insurance underwriter pays out and the cost to Powerlink e.g. difference between the vehicle market value (as assessed by the insurance underwriter) and the vehicle book value.

Powerlink has developed detailed processes for application of the self-insurance allowance including it must:

- be for an event within the terms of the relevant insurance policy or an uninsurable event;
- not be expenses usually categorised as scheduled or unscheduled maintenance;
- not be Business as Usual (BaU) related costs; and
- for third party claims, Powerlink must be legally liable (therefore excludes ex gratia payments as these are payments made in the absence of legal obligation).

Individual year on year comparisons of costs and allowances of self-insurance are assumed to net out over the medium to long term.

It is assessed by Marsh that Powerlink has no likely and significant uninsured risks though most policies contain exclusions which are becoming increasingly prevalent and a requirement from insurers e.g. Cyber, Communicable / infectious disease. As noted earlier in this report there may be future insurance policies that may be relevant (e.g. Environmental Protection, Pandemic / Infectious Disease and Fraud/Crime); and that the application of the self-insurance allowance by Powerlink is appropriate.

Additionally, the self-insurance allowance and commercial insurance arrangements complement each other with the relevant deductible amounts optimised to deliver the best value for money and manage risk exposure.

Industrial Special Risks

[redacted] The loss data reviewed by Marsh included both above and below deductible events.

The retained losses by Powerlink arise from events such as theft and other loss or damage to Powerlink property. [redacted]

[redacted]

Based on the combined loss averages in the historical loss data reviewed, [redacted]

Towers & Lines

We note that an [redacted] The Loss Data supplied by Powerlink and reviewed by Marsh included both above and below deductible events. The most significant losses retained by Powerlink are in connection with damage sustained to the Towers and Lines infrastructure.

[redacted]

In addition and given the high risk exposure (e.g. Flood & Cyclone) for Towers & Lines, Marsh recommend an additional provision for future catastrophe losses such as the event that exceeded deductible in 2016/17.

Therefore considering the average cost based on loss data and a further allowance for future major loss events, [redacted]

Public Liability

In the periods under consideration, Powerlink has experienced a limited number of claims arising from power outages and loss of supply; [redacted]

Self-insured losses in connection with other third party claims, including claims by third parties for property damage, [redacted]

Powerlink has also engaged adjusting and legal firms respectively to manage claims by third parties, thereby incurring adjusting and other defence costs. We understand that defence and any third party liability costs have been captured but not allocated to self-insurance.

---

[1] FY 2010/2011 to FY 2018/2019

[2] FY2010/2011 to FY 2018/2019; noting above deductible losses in FY2010/2011 and FY 2011/2012

[3] Data current to 31 December 2019

[redacted]

We do note however that Powerlink historically has experienced a low volume of public liability claims such that absent a catastrophic outage/loss of supply/injury; and on the basis of the inspection and maintenance regimes in place; a significant volume of claims for this class of experience is not anticipated.

Powerlink has to date managed all public liability claims within Corporate costs such that the public liability insurer has not assumed the conduct of any claims.

[redacted]

Motor Vehicle and Other Classes

[redacted]

[redacted]

Based on our analysis we have [redacted] for above and under-deductible claims.

[4] FY 2015/2016 to FY 2018/2019

Forecast Self-Insurance Provision (Nominal)

Our forecast self-insurance provision for Powerlink follows:

Insurance Class	2022/2023 ($)	2023/2024 ($)	2024/2025 ($)	2025/2026 ($)	2026/2027 ($)
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Total	1,214,000	1,238,280	1,263,046	1,288,306	1,314,073

SELF-INSURANCE PROJECTION ASSUMPTIONS / CONSIDERATIONS

- The retained loss history data as supplied by Powerlink is accurate and representative of loss history.
- Our knowledge of the potential for volatility in certain classes of insurance, particularly ISR.
- Our experience in managing claims for all classes of insurance and the potential for claim cost provisions to experience significant deviations over the life of a claim.
- A reasoned estimate as to claim costs in the context of the knowledge that forecasting for self-insured costs is an inherently problematic exercise.
- For planning purposes, deductibles remain unchanged excluding for Liability.

marsh.com.au

NEXT STEPS

For more information about how you can benefit from our services, please contact your Marsh Adviser, or phone **1800 194 888**.