



Tasmanian Networks Pty Ltd
Insurance Premium Forecast

May 2022

Prepared by

Lockton Companies Australia Pty Ltd

Commercial-In-Confidence



LOCKTON

UNCOMMONLY INDEPENDENT



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Executive Summary

Tasmanian Networks Pty Ltd (referred to a "TasNetworks") has engaged Lockton Companies Australia ("Lockton" or "we") to provide an independent forecast of their regulated insurance premiums for the remainder of the current regulatory period (i.e. 2022 – 2024) and separately for the upcoming regulatory period (i.e. 2024 – 2029).

Table 1 outlines Lockton's insurance premium forecast for TasNetworks for the remainder of the regulatory period (i.e. 2022 – 2024).

Table 1 – Regulated Premium Forecast 2022 – 2024 (\$'000)

	2022/23	2023/24
Regulated (Nominal)	\$7,182	\$8,852
Regulated (Real)	\$7,332	\$9,049

Total premium excluding GST

Premium based on Bushfire Liability limit of \$750,000,000

Table 2 outlines Lockton's insurance premium forecast for TasNetworks for the upcoming regulatory period (i.e. 2024 – 2029).

Table 2 - Regulated Premium Forecast 2024 – 2029 (\$'000)

	2024/25	2025/26	2026/27	2027/28	2028/29
Regulated (Nominal)	\$10,219	\$11,556	\$12,796	\$13,503	\$13,891
Regulated (Real)	\$10,465	\$11,836	\$13,118	\$13,848	\$14,246

Total premium excluding GST

Premium based on Bushfire Liability limit of \$750,000,000

For the purposes of report:

- Nominal – denotes premiums that have not been adjusted for future inflation.
- Real – denotes premiums that have been adjusted based on anticipated future inflation rates.

In order to reasonably calculate the above premium forecasts, we have estimated future exposure growth and premium rate growth based on various factors including but not limited to historical exposure data, historical premiums, claims performance and availability of insurer capital.

All exposure and premium calculations can be found in separate documents referred to in the Appendices section.

Project Background and Scope

1.1 BACKGROUND

As requested by Tasmanian Networks Pty Ltd (referred to a "TasNetworks"), the purpose of this engagement (referred to as "Project" and/or "engagement") is for Lockton Companies Australia Pty Ltd (referred to as "Lockton" or "we") to provide TasNetworks with:

1. An independent forecast of expected future insurance premiums for the 2022 – 2024 period for the regulated Electricity Transmission and Distribution areas of the business based on current market conditions and expected future conditions.
2. A forecast of the anticipated insurance costs for the 2024 – 2029 period for the regulated Electricity Transmission and Distribution areas of the business based on current market conditions and expected future conditions.

Depending on the outcome of the review, this report will be used in conjunction with other supporting material to support a regulatory step change submission for the current period. It will also inform TasNetworks for the 2024-2029 regulatory submission.

1.2 SCOPE OF SERVICES

The scope of services for the Project is to provide an independent forecast of TasNetworks' insurance premiums for 2022 – 2029.

At completion, TasNetworks will receive:

- A premium allocation model between the transmission, distribution and unregulated businesses.
- A forecast of insurance premiums for the 2022 – 2024 period in both real and nominal premium amounts.
- A forecast of insurance premiums for the 2024 – 2029 period in both real and nominal premium amounts.
- A review of the historical premium costs and circumstances that have influenced any changes over the current regulatory period.
- An overview of the premium drivers for each class of insurance.
- Commentary, where applicable, on the reasoning and assumptions made in deriving the estimated premiums with a specific focus on the current Bushfire Liability insurance market.
- A consideration of the potential and associated costs for currently uninsured risks to be transferred to the insurance market in future periods (e.g. Cyber Material Damage)
- A final report on summarizing the above.

1.3 LOCKTON EXPERTISE

Lockton is the largest privately owned broker in the world with over 8,500 employees globally, generating over USD2.16b in revenue for 2021. In Australia, Lockton Power and Energy has extensive expertise in electricity infrastructure assets, particularly the highly specialized area of liability insurance for electricity distribution and transmission network owners and contractors thereto (typically referred to as "bushfire liability" insurance). The team have, and currently, collectively place some of the largest bushfire liability limits in the country and have been at the forefront of placing innovative solutions to support the industry.

1.4 METHODOLOGY

Approach to Services

The approach to calculate the insurance premium forecast is outlined as follows:

- Provide a historical analysis of the total annual insurance costs for TasNetworks transmission and distribution business (2019 – 2021).
- Determine the estimated future changes to exposure and premium costs for all risk classes for TasNetworks electricity transmission and distribution business.
- Utilise estimated future changes to forecast the remaining base insurance premiums for the current regulatory period (i.e. 2022-2024).
- For the 2022 – 2024 period, include estimated statutory charges based on expected rates for the forecast period (Terrorism, Fire Service Levy, Goods and Services Tax, Stamp Duty).
- Utilise estimated future changes to forecast the next regulatory period base premium (i.e. 2024 – 2029).
- For the 2024 – 2029 period, include estimated statutory charges based on expected rates for the forecast period (Terrorism, Fire Service Levy, Goods and Services Tax, Stamp Duty and any other potential future taxes).
- Calculate nominal and real dollar policy year premium forecast for each risk class, including statutory charges.
- Remove the costs relating to the non-regulated portion of TasNetworks.

For the purposes of this report:

- Nominal – denotes premiums that have not been adjusted for future inflation.
- Real – denotes premiums that have been adjusted based on anticipated future inflation rates. Please refer to Appendix 1 TasNetworks AER Price Reset Analysis – Forecast Premium Model 2022 – 2029 spreadsheet (note: Inflation Rates tab)

1.5 FACTORS THAT AFFECT THE COST OF INSURANCE

To accurately forecast insurance premiums into the future we must consider the factors that typically influence insurance premiums.

The pricing of any risk is subject to the individual risk profile of the risk being considered (the 'micro') and the wider economic factors prevailing at the time (the 'macro').

Micro Influencing Factors

With respect to the risk being considered (the "Insured" risk), underwriters will take into consideration the exposure which for major classes is usually the physical asset declaration or exposure to third parties measured by turnover and/or type of activity. Whilst the exposure is largely determined by the insured (i.e. what business they are in and what they choose to insure or not), premium rates are determined by the insurer and are largely out of control of the insured.

Policy limits and deductibles also influence the cost of insurance. Unless otherwise stated, insurance policy limits and deductibles are assumed to remain constant for the purpose of this analysis.

Macro Influencing Factors

Insurance premiums are also subject to external factors, differing to many other operating costs of the Insured. Whilst insurance premiums largely reflect the risk that is being insured, other macro factors have a considerable influence on insurance pricing at any moment in time.

These external factors include but are not limited to:

- Global natural catastrophes
- Local and global recent claims activity (e.g. transformer losses, bushfire liability class actions)

- Underwriter market capacity availability
- Bond yields and interest rate environment
- Underwriter appetite and competition
- Underwriter regulation and capital requirements
- Government taxes and statutory charges on insurance premiums and changes mid-term (e.g. recent change to the application of fire services levy in Victoria)

This report references changes to base premiums in nominal values (unless otherwise stated).

Estimated statutory charges have been calculated and clearly itemised but have been based on current rates at the time of writing this report.

1.6 NON-REGULATED COSTS

TasNetworks, for the most part, purchase a group insurance program which includes non-regulated businesses and business activities.

We have calculated the non-regulated costs per class of insurance, please refer to Appendix 1 and 4. These costs represent between ████████ of the overall insurance costs TasNetworks incur. This is consistent with the portion of Regulated Asset Base (RAB) versus unregulated asset base figure.

This approach is also consistent with the current allocation approach used in determining the unregulated portion of the Transmission business for the 2019 – 2024 regulatory period and which was approved by the AER.

1.7 ALLOCATION OF COSTS BETWEEN ELECTRICITY DISTRIBUTION and TRANSMISSION BUSINESSES

For all classes of insurance considered in this Project, TasNetworks purchase a group insurance program providing cover for its entire business which isn't unreasonable or inconsistent with a similar business as it creates cost and administration efficiencies. The group program includes the electricity distribution, electricity transmission (Tasmanian Networks Pty Ltd) and unregulated assets (Forty-Two 24 Pty Ltd, Large Scale Renewables Pty Ltd and Marinus Link Pty Ltd).

Therefore, this Project allocates a portion of the overall costs to the electricity transmission and distribution businesses. We have proposed what we believe is not an unreasonable approach to insurance premium allocation, based on our understanding of TasNetworks' risk profile. This allocation methodology varies by class of insurance and is a matter for TasNetworks' internal review.

In Lockton's experience advising clients on premium allocation methodologies and its impact on prudent risk management, we recommend that any decision around allocation should remain with the business. The proviso is that the allocation amount should not be unreasonable, and the methodology should remain consistent when the regulatory proposal for the Distribution and Transmission businesses are submitted.

1.8 DATA

The following data was relied upon in determining historical and forecast insurance premiums:

- Historical insurance premiums
 - 2016 – 2020 – provided by TasNetworks
 - 2021 – 2022 – Provided by Lockton summary sheets and reconciled with actual invoices
- Historical exposure by class of insurance:
 - Property, Terrorism and Environmental Impairment Liability: based on historical declared asset schedules which are updated annually by TasNetworks

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- Motor: based on historical declared asset schedules which are updated annually by TasNetworks
- Contract Works: based on historical declared asset schedules which are updated annually by TasNetworks
- Financial Lines Classes: based on historical declared turnover and employee numbers which are updated annually by TasNetworks
- Travel and Group Personal Accident: based on historical declared employees and trip numbers which are updated annually by TasNetworks
- Bushfire Liability: exposure for Bushfire liability is based on a range of tangible and intangible factors and can vary from insurer to insurer. Exposure for this risk class is not as simple as using turnover or employee numbers to determine a premium. Insurers will review various factors such as the electricity network location, network specifications, value of third-party assets within the network, bushfire modelling, weather patterns, climate change and so forth. Many of these factors have been considered in this Project.
- Lockton Bushfire Liability Insurance Market Update (Appendix 5)
- Lockton Insurance Market Update 2021 (Appendix 6)

[REDACTED]

[REDACTED]

[REDACTED]

Summary of Insurance Premium Forecast

3.1 SUMMARY FOR CURRENT REGULATORY PERIOD ENDING 2024

Table 3.1.1 below outlines Lockton's view of an appropriate insurance premium forecast for TasNetworks for the remainder of the current regulatory period based [REDACTED]

Table 3.1.1 – Insurance Premium Forecast by Risk Class

[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

3.2 SUMMARY FOR NEXT REGULATORY PERIOD FROM 2024 TO 2029

Table 3.2.1 below outlines Lockton's view of an appropriate insurance premium forecast for TasNetworks for the upcoming regulatory period (2024 – 2029) [REDACTED]

Table 3.2.1 – Insurance Premium Forecast by Risk Class

| [REDACTED] |
|------------|------------|------------|------------|------------|------------|------------|
| [REDACTED] |
| [REDACTED] |
| [REDACTED] |
| [REDACTED] |
| [REDACTED] |
| [REDACTED] |
| [REDACTED] |
| [REDACTED] |
| [REDACTED] |
| [REDACTED] |

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Insurance Class breakdown

4.1 LIABILITY

Whilst TasNetworks liability policy covers typical third-party exposures, for this section we focus primarily on the bushfire liability component of the coverage which drives the limit being procured and the majority of the premium being charged.

4.1.1 BUSHFIRE LIABILITY MARKET BACKGROUND AND DRIVERS OF PREMIUM

Please refer to Appendix 5 for a comprehensive update of the bushfire liability market, both globally and locally.

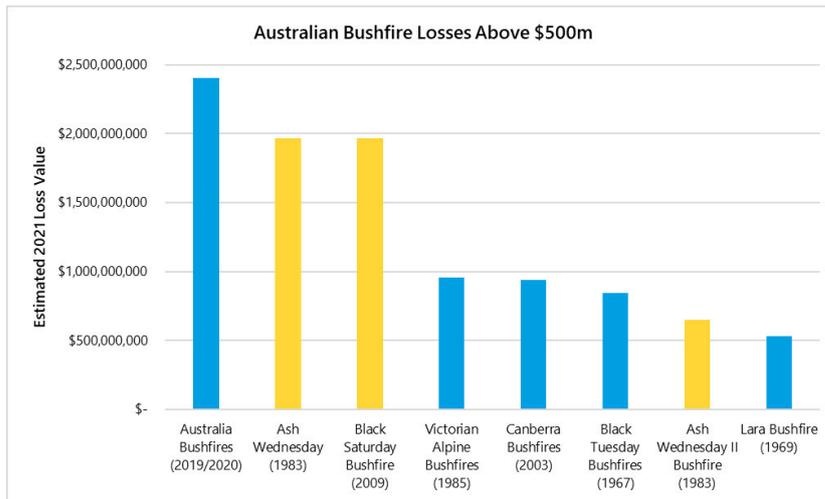
In summary, bushfire liability is unique in that it's one of the few natural catastrophes that can be caused by business activities. The effects of climate change on bushfire conditions has been experienced firsthand in Australia for the last few years as many regions have declared bushfire seasons far earlier than the 'norm'.

[REDACTED]

[REDACTED]

The Californian Wildfires of 2017 and 2018 have been well documented and these fires contributed largely to a significant re-rating of bushfire liability in high risk geographic regions, irrespective of whether those regions incurred liability losses or not. In Australia, we haven't seen the magnitude of claims that were settled with respect to the 2009 Black Saturday fires, but there continues to be a frequency of claims activity incurred by electricity infrastructure assets, government bodies and vegetation management operations. The most notable being the 2019 Cuddle Creek class action that some believe to exceed \$200m in potential liabilities.

Figure 4.1.1.2 – Australian Bushfire Losses above \$500m



Data Source: Insurance Council Australia

One of the largest Australian bushfire liability insurers has confirmed that its premiums received versus claims paid is running at ~100%, meaning that despite no major catastrophes happening, their premium pool has still been eroded by “attritional” bushfire liability claims and associated legal costs.

As a consequence, insurer capacity continues to shrink, insurer pricing continues to increase, and placement of large limits is more time consuming and complex than ever to procure in the traditional insurance market. Once again, please refer to Appendix 5 which details historical market capacity and price movements as well as policy coverage pressure points.

4.1.2 CURRENT AND FORECAST EXPOSURE

Unlike most typical insurance policies, bushfire liability premiums are not typically correlated with any single tangible risk profile characteristic. It’s not unreasonable to expect that the network size, specifications, revenue, employee numbers etc may influence premiums, however the main drivers are the location of the network and external market conditions and factors already discussed, all of which are out of TasNetworks control.

To ensure TasNetworks continue to act as a prudent insured, they have recently undertaken bushfire limit loss modelling which has supported policy limits procured.

4.1.3 ALLOCATION BETWEEN TRANSMISSION and DISTRIBUTION

TasNetworks is unique in that it is the sole electricity distribution and transmission business for the entire state. One or two peers in the National Electricity Market (NEM) also operate both transmission and distribution networks but do not have a regulated monopoly for the entire state. As such, when delivering this Project, we needed to consider an appropriate premium allocation between transmission and distribution businesses within TasNetworks.

In Australia, to our knowledge, there has not been an indemnified bushfire liability claim that has emanated from an electricity transmission network, certainly not in recent years. Transmission is widely accepted by insurers as a far lower bushfire risk than distribution primarily due the large regulated vegetation clearance zones required around network for ease of access. In Tasmania, the easement clearing that needs to be maintained is up to 50m, which virtually eliminates vegetation / trees coming into contact with power lines; the most common cause of bushfire liability losses.

In our experience, we believe it’s not unreasonable to expect an insurer premium allocation of 80% weighted towards distribution and 20% weighting for transmission.

4.2 PROPERTY

4.2.1 DRIVERS OF PREMIUM

Apart from the external factors discussed in section 1.5, Property insurance premiums are typically a function of the declared insurable asset values which includes Business Interruption revenue declarations.

TasNetworks’ risk profile related premium factors would include:

- Age profile of network assets
- Age profile specifically of transformers
- Claims loss history
- Exposure to natural catastrophe, specifically windstorm, flood and fire for the state of Tasmania



4.2.2 EXPOSURE and FORECAST EXPOSURE

TasNetworks’ transmission network accounts for 71.52% of the overall asset base, with the distribution network contributing 26.13% and the remainder being made up of unregulated assets (i.e. 2.35%).

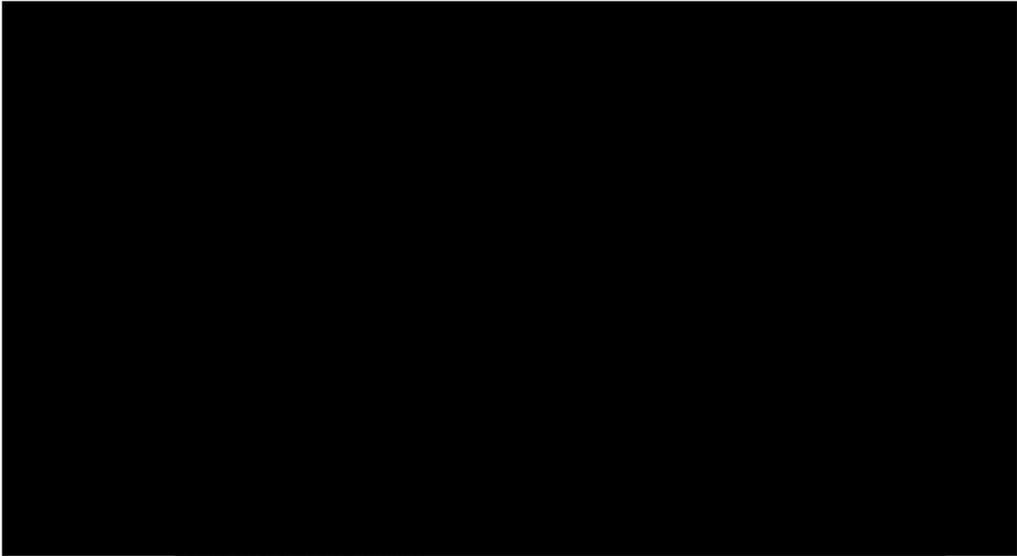
The asset declaration for TasNetworks has been static for the last three years with less than a 3% change between 2019 and 2021. Lockton believe it is not unreasonable to expect the remainder of the current regulatory period will experience a 10% annual increase in the current asset values for both 2022 and 2023. As outlined in Figure 4.2.2.1, the primary reason behind these anticipated increases is due to the significant variation in price growth across a select number of categories in the Australian economy as a result of COVID-19 and the associated supply chain pressures.

Figure 4.2.2.1 – Variation in Price Growth Across Various Categories in the Australian Economy

Category	12 Month % Change
Aluminium Rolling and Extruding	25.22%
Communication Equipment	9.78%
Computer Equipment	2.18%
Electrical Cable and Wire	26.87%
Electrical Equipment	9.71%
Furniture	1.25%
Lifting and Material Handling Equipment	10.41%
Machinery and Equipment Manufacturing	5.90%
Prefabricated Buildings	13.52%
Specialised Equipment and Machinery	6.30%
Steel Pipe and Tube Manufacturing	36.80%
Structural Steel	20.57%
Tank Manufacturing	8.51%

Mark Klenke, Managing Principal AVS with data from the Australia Bureau of Statistics.

It is difficult to forecast how long the COVID-19 induced supply chain ‘crunch’ will last for, but we do not believe it’s an unreasonable assumption to allow for two years of current conditions to persist. Therefore, with respect to the beginning of the new regulatory period, we expect growth will normalise to historical inflation and have factored in accordingly to the estimated premiums.



Source: Lockton E&OE F&C 07/01/21

[Redacted text block]

Based on the information provided by TasNetworks and Lockton's view of forecast changes to exposure and premium rates, Lockton considers that a prudent organisation would budget for premium increases reflecting:

- [Redacted list item]
- [Redacted list item]

[Redacted text block]

4.3 CYBER and IT LIABILITY

4.3.1 DRIVERS OF PREMIUM

Premiums for this class of insurance are typically driven by claims activity, in particular claims caused by ransomware attacks. Cyber.gov.au class ransomware as “a type of malicious software (malware).” Once the malware enters a device, it makes your computer or its files unusable/inaccessible. cybercriminals use these attacks to deny you access to your files or devices then demand you pay them to get your access back.

The most notable recent event to the energy sector was the Colonial Pipeline in the United States of America which is the country’s largest fuel pipeline. It was hacked in May 2021 leading to the company halting all pipeline operations to contain the attack. The company reportedly paid a ransom of nearly 75 Bitcoins (USD equivalent \$5m) to hackers.

In addition to ransomware attacks, data breaches also continue to have an effect on the cyber insurance market.

Both of these factors can seriously effect TasNetworks’ business given the risk of critical infrastructure being hacked and shut down as well as data breaches that may cause loss of personal and private information held by TasNetworks’ data centres. [REDACTED]

Lockton’s September 2021 Global Market Update showed that in Q3 of 2021, the average premium increase for ‘clean’ cyber risks was 57.7%. There were also cases where insurers were asking for 100% premium increases. Lockton expects that this trend will continue until competitive pressures force insurers to moderate their increases.

Time period	Median	Average
Q3 2020	4.0%	10.7%
Q4 2020	9.8%	15.4%
Q1 2021	20.4%	30.8%
Q2 2021	31.7%	48.9%
July 1, 2021	48.9%	57.7%

Source: Lockton EDGE P&C 07/01/21

4.3.2 EXPOSURE and FORECAST

EXPOSURE

Measurable underwriting exposure is typically irrelevant for cyber risks. While the underlying exposure such as revenue, employee numbers or critical infrastructure may vary from year to year, it does not typically have a flow-on effect to insurance premiums.

From a cyber risk perspective, underwriting exposure is usually intangible and difficult to measure. For example, a company’s attitude and approach towards cyber security measures and cyber security controls. As the cyber market continues to harden insurers are putting an increased focus on cyber security controls. As a result, mitigating controls such as privileged access management, patching management, and SIEM (Security Information and Event Management) systems have become the latest entrants to the laundry list of required baseline controls for cyber coverage.

The appearance of the java based log4j/log4shell zero-day vulnerability in November 2021 further reminded the market of how cyber risk does not always come in the form of targeted attacks and can arise from what many would have considered to be simple, non-risk software.

[REDACTED]

4.3.3 ALLOCATION BETWEEN TRANSMISSION and DISTRIBUTION

The allocated split between transmission, distribution and unregulated assets is based on the proportions of declared asset values which isn't unreasonable as the assets themselves are susceptible to a cyber-attack.

For the 2021 renewal period, the allocation of assets is as follows:

4.3.3.1 Percentage (%) Allocation of Assets

Asset Type	Asset Value Breakdown	% of Asset Base
[REDACTED]	[REDACTED]	[REDACTED]

4.3.4 CURRENT AND FORECAST PREMIUMS

In 2021, TasNetworks experienced the first glimpse of the hardening cyber insurance market with a [REDACTED] increase in premium [REDACTED]

[REDACTED]

[REDACTED]

Based on the information provided by TasNetworks and Lockton's view of forecast changes to exposure and premium rates, [REDACTED]

[REDACTED]

- [REDACTED]
- [REDACTED]

Table 4.3.4.1 and 4.3.4.2 outlines the calculation of the insurance premium forecast based on the assumptions outlined in the previous sections for TasNetworks Distribution and Transmission networks respectively.

4.4 MOTOR

4.4.1 DRIVERS OF PREMIUM

Motor vehicle insurance provides TasNetworks with cover for damage to their own vehicles as well as damage to third party property (where that damage is caused by TasNetworks' vehicles).

Motor policies are viewed as an attritional risk, meaning premiums and rates are dependent on the annual claims performance. [REDACTED]

4.4.2 EXPOSURE and FORECAST EXPOSURE

The exposure for motor is based on the number and type of vehicles.

TasNetworks' vehicle numbers have been relatively stable since the beginning of 2019 increasing by only 3.3% in that time. Forecast growth is in line with expected inflation rates between 2022 and 2028. On this basis, it seems reasonable to assume that historical growth reflects the estimated future growth.

4.4.2.1 – Historic, Current and Forecast Vehicle Declaration

Distribution Assets									
2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Actual Values			Real Values based on CPI						
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Transmission Assets									
2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Actual Values			Real Values based on CPI						
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

4.4.3 ALLOCATION BETWEEN TRANSMISSION and DISTRIBUTION

The allocation of vehicles between the transmission, distribution and unregulated businesses is based on the following split:

4.4.3.1 Percentage (%) Allocation of Vehicles

Asset Type	% of Asset Base
Distribution	75%
Transmission	20%
Un-Regulated Assets	5%
Total	100%

TasNetworks allocates 75% of their premium to the distribution network, 20% to the transmission network and the remaining 5% to their unregulated assets.

4.4.4 CURRENT AND FORECAST PREMIUMS

[REDACTED]

[REDACTED]	[REDACTED]	[REDACTED]

Both allocation methodologies are considered reasonable.

4.5.4 CURRENT AND FORECAST PREMIUMS

As noted, premiums for these classes of insurance are typically driven by market conditions and recent claims experience.

For financial lines classes such as [REDACTED] we have estimated premium increases for the remainder of the regulatory period of between [REDACTED]

For the upcoming regulatory period, we estimate premium increases will fall [REDACTED] as the market continues to soften after five years of hard market conditions.

For the remaining ancillary lines classes [REDACTED] premium increases are expected to be between [REDACTED] for the remainder of the regulatory period (depending on class) and between [REDACTED] for the upcoming regulatory period.

Table 4.5.4.1 – Insurance Premium Forecast (Distribution Assets) (\$'000)

Distribution Assets							
Premium Basis	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
	Forecast						
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

4.6 NEW POLICIES – CYBER MATERIAL DAMAGE and BUSINESS INTERRUPTION

4.6.1 EXPOSURE and FORECAST EXPOSURE

[REDACTED]

As cyber losses continue to become more frequent and weight heavily on the insurance industry from a claims perspective, it is expected that all traditional property insurers will further restrict the cover available under their policies meaning the gap for physical damage from a cyber incident will widen. Should this cover be sought moving forward it is expected a standalone 'Cyber Material Damage / Business Interruption policy will need to be procured with specialist insurers.

Currently businesses are left with limited choices of perils and cyber wrap products to protect their property exposures, resulting in property damage and business interruption losses as a result of a cyber-attack or cyber terrorism on their IT system or those of their suppliers, customers or service providers. This is especially true for critical infrastructure businesses such as TasNetworks.

Cyber Material Damage and Business Interruption policies are rated based on insured asset values which includes Business Interruption revenue declarations.

The asset declaration for TasNetworks has been static for the last three years with less than a 3% change between 2019 and 2021. [REDACTED]

4.6.1.1– Historic, Current and Forecast Insurable Assets ('000)

Distribution Assets									
2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Actual Values			Real Values based on CPI						
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Transmission Assets									
2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Actual Values			Real Values based on CPI						
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

4.6.2 DRIVERS OF PRICE

Given this is a new class of insurance drivers of price will come down to availability of capacity and general claims performance. Premiums have been forecast with an adjustment included for expected inflation.

4.6.4 ALLOCATION BETWEEN TRANSMISSION AND DISTRIBUTION

TasNetworks currently allocate the cost of most insurance classes based on the split of asset values. For the sake of this exercise we have assumed that this policy will be split on the same basis.

[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]

4.6.5 INSURANCE PREMIUM FORECAST CALCULATIONS

Table 4.6.5.1 – Insurance Premium Forecast (Distribution Assets) (\$'000)

Distribution Assets							
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Premium Basis	Forecast						
[REDACTED]	■	■	■	■	■	■	■
[REDACTED]				■			
[REDACTED]	■	■	■	■	■	■	■
[REDACTED]	■	■	■	■	■	■	■
[REDACTED]	■	■	■	■	■	■	■

Table 4.6.5.2 – Insurance Premium Forecast (Transmission Assets) (\$'000)

Transmission Assets							
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Premium Basis	Forecast						
[REDACTED]	■	■	■	■	■	■	■
[REDACTED]				■			
[REDACTED]	■	■	■	■	■	■	■
[REDACTED]	■	■	■	■	■	■	■
[REDACTED]	■	■	■	■	■	■	■

APPENDICES

APPENDIX 1

TASNETWORKS AER PRICE RESET ANALYSIS – FORECAST PREMIUM MODEL 2022 - 2029

Refer separate document.

APPENDIX 2

TASNETWORKS AER PRICE RESET ANALYSIS – HISTORICAL DECLARED VALUE OVERVIEW

Refer separate document.

APPENDIX 3

TASNETWORKS AER PRICE RESET ANALYSIS – HISTORICAL PREMIUM OVERVIEW

Refer separate document.

APPENDIX 4

TASNETWORKS AER PRICE RESET ANALYSIS – ALLOCATION MODEL (TRANSMISSION, DISTRIBUTION and UNREGULATED)

Refer separate document.

APPENDIX 5
BUSHFIRE MARKET UPDATE

Refer separate document.

APPENDIX 6

LOCKTON GLOBAL MARKET UPDATE

<https://global.lockton.com/us/en/news-insights/lockton-market-update-september-2021>

APPENDIX 7

Premium Allocations Based on [REDACTED]

Total Premium Forecast

Regulated Premium Forecast 2022 – 2024 (\$'000)

[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]

Total premium excluding GST

Regulated Premium Forecast 2024 – 2029 (\$'000)

	2024/25	2025/26	2026/27	2027/28	2028/29
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Total premium excluding GST

Premium Forecast Split by Class of Insurance

Insurance Premium Forecast by Risk Class 2022–2024 (\$'000)

Risk Class	2022/23	2023/24	Total
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

[REDACTED]
 [REDACTED]
 [REDACTED] Officers, Crime, Employment Practices
 Liability, Statutory Liability (incl. Work Health and Safety), Travel and Group Personal Accident.

2024 – 2028 Premium Forecast - [REDACTED]

Insurance Premium Forecast by Risk Class 2024–2029 (\$'000)

Risk Class	2024/25	2025/26	2026/27	2027/28	2028/29	Total
[REDACTED]						
[REDACTED]						
[REDACTED]						
[REDACTED]						
[REDACTED]						
[REDACTED]						
[REDACTED]						
[REDACTED]						

[REDACTED]
 [REDACTED]
 [REDACTED]
 [REDACTED]

Confidentiality

Acknowledgement of Confidentiality

The RECIPIENT acknowledges and agrees that the Confidential Information is confidential and secret and that unauthorised disclosure of it to any Third Party shall cause substantial loss and damage to the DISCLOSER.

Obligation Not to Disclose Confidential Information

The RECIPIENT agrees to keep the Confidential Information confidential and secret and not to disclose the Confidential Information or any part of it to any Third Party without prior consent of the DISCLOSER.

The RECIPIENT acknowledges and agrees that:

- i) the Confidential Information is secret, confidential and valuable to the DISCLOSER;
- ii) it owes an obligation of confidence to the DISCLOSER concerning the Confidential Information;
- iii) it has no right or interest in any of the Confidential Information other than the right to use and disclose it on the terms of this agreement; and
- iv) all Confidential Information shall be and remain at all times the property of the DISCLOSER and that the receipt and handling of any Confidential Information shall not grant to the RECIPIENT any copyright, intellectual property or trademark rights with regard to such material.

Use of the Information Only For the Purpose

The RECIPIENT agrees to use the Confidential Information for the Purpose and only for the Purpose.

The RECIPIENT agrees that it will not use (for the benefit of the RECIPIENT or any other person or to the detriment of the DISCLOSER) any confidential information other than for the Purpose without the prior written consent of the DISCLOSER.

Obligation Not to Copy

The RECIPIENT acknowledges and agrees that the Confidential Information in all its manifestations and whether such recording be in the "hard copy", electronic or digital form of any kind on tape or on disc or otherwise recorded as in the property of the DISCLOSER and the DISCLOSER owns all right, title and interest in and to the copyright in such recordings of the information.

The RECIPIENT will not make any copies of the Confidential Information in any form without the prior written consent of the DISCLOSER unless such copies are reasonably required for the Purpose.

Intellectual Property

The supply of Confidential Information by the DISCLOSER to the RECIPIENT shall not be construed as:

- i) Transferring any Relevant Intellectual Property to the RECIPIENT, which Relevant Intellectual Property will remain the property of the DISCLOSER; or
- ii) Granting or conferring any right by way of license or lease in respect of any Relevant Intellectual Property of the DISCLOSER to the RECIPIENT.

All Relevant Intellectual Property will be the sole property of the DISCLOSER and the RECIPIENT will execute such transfers and other documents as the DISCLOSER may require to give effect to the intention of this sub-clause.

The RECIPIENT will not:

- i) Apply for registration for, or any other form of protection of, any Relevant Intellectual Property in any jurisdiction, nor purport to do so;
- ii) Sell, assign, license, lease or otherwise deal with or dispose of any Relevant Intellectual Property, not purport to do so;
- iii) Disclose the existence or any particulars or any Relevant Intellectual Property to the extent that it is connected to the Purpose of

this agreement to any person not authorised by the DISCLOSER;

iv) Publish the existence or any particulars of any Relevant Intellectual Property in any article journal, periodical, magazine, letter, newspaper or any other publication, without the prior written consent of the DISCLOSER which may be given or withheld by the DISCLOSER, as the case may be, in the absolute discretion of the DISCLOSER and if given, subject to such conditions as the DISCLOSER may impose in its absolute discretion.

Definitions

1 Where used in this agreement, the following terms will have the following meaning:

Confidential Information means any and all information and documentation whether commercial, financial, technical or otherwise, disclosed to the RECIPIENT in connection with the Purpose, orally or otherwise, in any form whatsoever and whether or not the information is marked as confidential but does not include any information which, without breach of this agreement:

- i) is or becomes public knowledge;
- ii) was available to or which the RECIPIENT or its Representative already knew or had, on a non- confidential basis, prior to its disclosure by the DISCLOSER;
- iii) has been independently developed or acquired by the RECIPIENT or its Representative ; or iv) is or becomes available to the RECIPIENT or its Representative on a non- confidential basis from another source entitled to make such disclosure .

Discloser means a party who gives Confidential Information to the other party, or from whom the other party acquires Confidential Information. References to 'party' include, in each case, a party's Authorised Persons.

Purpose means the purpose of Lockton Companies Australia Pty Ltd providing an independent review and forecast of the insurance premiums for the 2022 – 2029

periods for Tasmanian Networks Pty Ltd (TasNet) in relation to their regulatory price reset.

Recipient means Tasmanian Networks Pty Ltd. References to 'party' include, in each case, a party's Authorised Persons.

Representative means any directors, officers, employees, auditors, reinsurers, agents and advisers of the RECIPIENT.

Relevant Intellectual Property means patents, trademarks, designs, copyright and applications for registration therefor and includes know-how and all other forms of intellectual property.

- i) Of the DISCLOSER;
- ii) Subsisting in Confidential Information; and
- iii) Which may be created by the RECIPIENT while engaged in the Purpose;

Third Party means any person(s) or company(ies) not being party to this agreement.

- 1.1. Words importing the singular will include the plural wherever the context requires and vice versa.
- 1.2. Words importing any particular gender will include a reference to any or all other genders where the context requires.
- 1.3. Every reference to a person will include a corporation, statutory authority or body and vice versa.
- 1.4. The interpretation of any covenant, clause or word herein will not be restricted by reference to any other covenant, clause or word mentioned herein or by the juxtaposition of the same.
- 1.5. Each phrase, sentence, paragraph and clause in this agreement is severable notwithstanding the manner in which the same may be entered of grouped grammatically and if any phrase, sentence, paragraph or clause is found

CONFIDENTIAL

to be defective or unenforceable for any reason whatsoever the remaining phrases, sentences, paragraphs or clauses, as the case may be, will be full

force and effect will continue to be of full force and effect.

