

Appendix A – Responses to specific questions:

1. Premium Changes:

- How do the 2025/26 premiums compare to last year's?

The attached word table (Appendix B) indicates changes both in dollar terms and percentages. Percentage changes are also indicated where the revaluation of assets has increased but the premium/\$ has been reduced. AON report Co-Lab benefits of shared procurement show a true underlying premium change picture for the Waikato. (Sec 2 of this appendix). The Consultant Risk and Business Excellence Advisor has provided a copy of his report for the year 2024, (Appendix C) indicating significant savings for the Waikato (This was when he was chair of the Waikato Insurance Advisory Group - Co-lab). The 2024/25 underlying premium rate saving was 18.5% so over the past two years MPDC has achieved huge reductions in the infrastructure insurance space.

- What are the key drivers behind any increases or decreases?

With regard to the decreases, these have largely been achieved through a softening market, however this has been maximised via our collective (Co-Lab) approach (economies of scale, diversification of risk, smoothing of claims impact), target of new markets (e.g. MDBI now marketed and achieved in London, Infrastructure in Singapore), and maximisation of relationship and competitive tension in existing markets – AON's paper (Appendix D) is an excellent explanation of how this works which should be helpful. Professional Indemnity has increased (6%) – driven by claims in the consenting area (RMA / compliance with Building Code). The fact that any NZ Council can secure insurance in that distressed liability market is a tribute to some very hard work by AON. Motor vehicles are also up but due to increase in value of the fleet – the rate in the \$ is down.

2. Market Competitiveness:

- Were alternative quotes sought from other brokers or insurers? If not, what factors influenced continuing with AON exclusively?

Regarding appointing a Broker, we go to market as a collective periodically. The current AON contract is a 3+2+2, awarded after a robust / contestable process carried out late 2019 / early 2020. Council's current Consultant Risk and Business Excellence Advisor was personally involved as an evaluator in that process and can vouch to its robustness. Although it was an open tender, only two responses were submitted and realistically that is where the local government sits currently due to size and complexity. The Consultant Risk and Business Excellence Advisor's recollection is that AON were assessed as superior over the competitor on all the price/quality attributes and were considered well-ahead regarding their market reach and strategic approach. The ultimate expiry of that contract is 30/6/27 at which point the market will be tested again. Brokerage is remunerated on a fixed fee basis, so there is no commission-based incentive favouritism of insurers.

In regard to Insurers, for the bigger policies, Material Damage Business Interruption (MDBI) and Infrastructure, there is significant competitive tension in the annual renewal process. The collective programme is insured on a tower-like basis with multiple insurer syndicates competitively bidding for percentage shares in the 'tower'.

For the Infrastructure programme those bids come from up to 21 Lloyds of London syndicates, four Singaporean market syndicates, as well as two or three NZ insurance companies and some Australian insurers. It is the expert Broker's job to assess each percentage bid and price and build a 'tower' at best overall pricing, recognizing the need for ongoing sustainability and cover security.

The MDBI programme was marketed to multiple syndicates in London this year, alongside the NZ and Australian markets that have traditionally covered it.

Our Liability programme (Professional Indemnity and Public Liability) is being actively marketed to multiple syndicates in London with good results achieved in what is widely considered a distressed market.

The collective approach via Co-Lab is incredibly important and in staff opinion it would be unrealistic and uneconomic for MPDC to go it alone. A point well made by AON's paper.

- How do our premiums benchmark against similar councils or organisations?

We do not have readily available information on this however, the Consultant Risk and Business Excellence Advisor has seen some benchmarking data previously and we could ask AON for it if that was required. Benchmark comparison however has significant limitations for many of our policies given key drivers of premium rates are not always apples for apples, for example natural hazard risk in the MDBI and Infrastructure space and claims history in the Liability and Motor Vehicle spaces. This is an important point to consider. Given this factor, in the staff view, it is better to place confidence in the robustness and contestability of a renewal process, than in benchmarking.

The extract below from the Consultant Risk and Business Excellence Advisor 2024/25 Co-Lab Board report (Appendix C) gives a view of how our premium pricing change compares against other NZ Local Government collectives – which is very favourable.

The Infrastructure Renewal Outcome

We've had an outstanding result in this space. The key line to note in the table below is the second line which shows the premium rate change and look at the Co-Lab Waikato Collective ... an 18.47% reduction!

Group Renewal Outcomes	NZ Collective 1	NZ Collective 2	Co-Lab	NZ Collective 3	NZ Collective 4
Premium rate change	-10.49%	-6.48%	-18.47%	-15.56%	-13.38%
Values change	16.74%	1.3%	13.4%	4.9%	10.8%
Premium change	6.25%	-5.18%	-5.07%	-10.66%	-2.60%

It is a softening market, however that's a far better than anticipated result and as the table shows that's the best reduction of the 5 NZ Council collectives with 1 November renewals. This builds nicely on last year when our 5% increase in premium rate was the lowest increase of these same collectives.

3. Coverage Adjustments:

- Have there been any material changes in coverage terms, exclusions, or limits compared to last year?

Only the Statutory Liability Policy where fines under the RMA are no longer covered by insurance. Costs and legal fees are still covered. The premium has remained fairly static as insurers consider that Councils are more likely to defend cases rather than plead guilty

- What additional risks (e.g., cyber, infrastructure) have been factored into this renewal?

Low value building assets removed from insurance schedule, the excess doesn't justify premium.