

Collective Insurance Procurement and International Market Presentations, 2024

To	Co-Lab Board
From	Ken Morris, Co-Lab Insurance Advisory Group Chair
Date	21 February 2025
Report Title	Collective Insurance Procurement and International Market Presentations, 2024

1. PURPOSE

To update the Board on elements of the 2024 Co-Lab Waikato Councils Collective insurance renewal approach and outcomes, including the international market presentations for the infrastructure programme and liability insurance placements.

2. RECOMMENDATIONS

That the Board:

- **Receives** the paper; and
- **Notes** the approach and outcomes, including the benefit secured through the market presentations, as highlighted throughout this report.

3. BACKGROUND

The Waikato Councils Collective insurance arrangements were renewed effective 1 November 2024.

In regard to both the

- infrastructure programme placement, which includes \$8.2 billion dollars of asset value across the water and wastewater networks, stop banks and bridges of the 10 participating Council's, and
- the liability programme excess layer placement

a key part of the placement strategy was presentation to the London insurance markets, given large parts of the placements are sought from the London markets.

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Those presentations took place in September 2024, with the author of this report presenting on behalf of the Co-Lab Waikato Collective, alongside fellow presenters representing BOPLASS and MWLASS. With regard to the infrastructure placement, these three Council collectives also presented to the Singapore markets on the way up to London and to the New Zealand markets, in Auckland, on return. Also, in London with us, but presenting separately from us, were a South Island Council Collective, and the Local Authority Protection Programme (LAPP) Collective, which Hauraki District Council is part of.

This renewal was the eleventh year that the Waikato Collective has sought infrastructure insurance cover in the London markets. It is a key part of our strategy, opening up far greater capacity than we could secure simply via the NZ markets, this provides very important security and diversification particularly as capital availability tightens, as it does on a cyclical basis.

Due to a significantly distressed market for liability cover (Professional Indemnity and Public Liability), significant focus also went into presenting to the liability markets in London this year, with great results.

4. DISCUSSION

Salient information that may be of interest to the Board is set out below:

Reach of the contact

The Waikato/Bay of Plenty/Manawatu-Wanganui infrastructure placement presentation sessions in London in 2024 consisted of four separate 45-minute presentations, each followed by 15-minutes of questions, to a total of 22 underwriters from 21 different syndicates. The Singapore sessions were in the same format with two sessions involving 5 underwriters from 4 different syndicates. The two New Zealand sessions involved 7 underwriters.

We had four presentation sessions with the Liability markets in London involving 6 syndicates.

The underwriter's key role is to evaluate, price and ultimately accept or reject the risks being presented to them. The market visits enable direct contact between us as a client seeking insurance, and the underwriter performing that role. It's an opportunity to build

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up relationship and trust which pays 'big dividends' as far as these underwriter's assessment of the risk goes, and therefore their receptiveness to providing well sought after capacity and the price that this capacity is made available for. We've been told directly by the underwriters how important the trip to London is, and the value of the 'handshakes' that take place.

The focus of our infrastructure placement presentations

Key focus areas in our infrastructure placement presentations this year were:

- Investment in supporting Climate Change resilience
- New funding and finance mechanisms to enable ongoing investment in infrastructure (the author of this report presented this part)
- Continuing comprehensive work programmes to upgrade flood protection schemes to safeguard assets and communities

The underwriters continued to show strong interest in the risks associated with storms and flooding.

The underwriters indicated that in general they have confidence in our insured values and our risk management practices. New Zealand is generally seen as a mature market and is better regarded than many other parts of the world.

Alternative Risk Transfer Mechanisms

We continue to engage with SwissRE who are a well-recognised provider of alternative risk transfer mechanisms such as parametrics. We had a meeting with them while in Singapore to continue the engagement from the previous year, and a session we had with them in Wellington early last year. They are back in New Zealand again this month and we will meet with them again. If we were to consider parametric options this would most likely be alongside and in supplementation of traditional insurance products. This approach will be an important consideration if we see either capacity constraints and/or significant pricing and affordability concerns. Council's will be provided with information and education on these alternative products as they become more of a possibility.

Liability Insurance

There has been significant distress in the liability insurance market in relation to cover for New Zealand Council's particularly in the wake of the outcome of the Riskpool v Napier City Council case which Riskpool lost in the Supreme Court in 2023.

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A number of Councils serviced by another broker lost their cover in June 2024 when markets refused to offer renewal cover. Aon was able to replace most of that cover for the 19 Councils involved while continuing to maintain ours. Our primary layer cover comes from the New Zealand market, while the Excess layers are covered by the London and Australian markets. New syndicates have come on board for this placement and we are advised that this is to large degree due to our visit to London.

Limits were able to be maintained and premium increases held to reasonable levels which is a great result in the circumstances.

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.

We succeeded in obtaining capacity from Singapore for this year's renewal, this was our third visit there and the first time we have secured capacity. We now have capacity from London, Bermuda, Singapore and New Zealand on these placements. This gives us further diversification going forward.

We managed some improvements in sub-limits and increased additional limits together with improved policy wording. This has been a great result all around.

Loss modelling

Aon has suggested that the Waikato Collective updates its loss modelling given the significantly advanced loss modelling practice now available to us. This would greatly assist confirming the most appropriate level to set programme limits and sub-limits which assists in ensuring we are neither over or under-insured. The Insurance Advisory Group however, has recently made the decision to not progress this work in the current year. It was anticipated to cost an average of \$32,000 per Council and had not been built into Council

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Long Term Plans. It would involve significant people resource in Council's too. A further consideration was that with the likelihood of two separate Water Service Entity CCO's forming in the Waikato, that this exercise might best be done by those entities when they are stood up in 2026.



Ken Morris

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