

### Audit, Finance & Risk Committee

8 July 2025

#### Report for Agenda Item | Rīpoata moto e Rāraki take [11]

**Department:** Assurance, Finance & Risk

**Title | Taitara:** Insurance Update July 2025

#### Purpose of the Report | Te Take mō te Pūroko

---

The purpose of this report is to brief the Audit, Finance & Risk (AFR) Committee on the current status of the insurance market and updates on Queenstown Lakes District Council's (QLDC) insurance policies and strategies. This includes the April 2025 renewals and ongoing developments regarding the catastrophic event infrastructure insurance collective agreement and approach to loss modelling.

#### Executive Summary | Whakarāpopototaka Matua

---

QLDC has successfully completed its April 2025 insurance renewals, which include policies for Material Damage and Business Interruption policy, motor vehicle, hall hire and travel and aviation insurance. The insurance market is currently more competitive than it has been in previous years, and the cost of cover has not increased at the same level previously forecast. The softening of the market is anticipated to continue through to our November renewals (catastrophic events and liability cover).

A major development in the catastrophic event infrastructure insurance, was the securing of contributions from the London market to help councils, in the collective, to mitigate costs for loss modelling. This follows a period where loss modelling has not been completed (since 2018), which was impacted by the COVID-19 pandemic and 3 waters reform. Providing loss modelling to the insurance market enhances confidence in Council's understanding of risks, giving insurers greater assurance.

The first draft of the legal agreement for the catastrophic event infrastructure policy has been completed and at the time of writing, has been circulated to members of the South Island Council Collective (SICC) for review. Additionally, alternative insurance options are being explored to secure competitive pricing and spread risk for infrastructure insurance.

The details of the April 2025 renewal were:

Policy Type	Increase Premium %	Policy Premium	Actual 24-25FY	Budget 24-25FY	Number of Claims	Claims Amount
Material Damage & Business Interruption + Statutory Charges & EQCover premium	3.3% ↑	NZD 1,658,966	NZD 1,614,817	NZD 1,624,723	2	NZD 19,008
Motor Vehicle	35.9% ↑	NZD 52,000	NZD 42,321	NZD 40,647	19*	NZD 58,714
Hall Hirers	11.5% ↑	NZD 8,750	NZD 8,000	NZD 7,915	0	0
Travel	-10.7% ↓	NZD 1,406	NZD 1,547	NZD 1,601	0	0
Aviation/ Drone	-9.9% ↓	NZD 925.30	NZD 1,010	NZD 1,036	0	0

\*At the end of March 2025

### Recommendation | Kā Tūtohu

That the Audit, Finance & Risk Committee:

1. **Note** the contents of this report.

**Prepared by:**



**Name:** Bridget Allen

**Title:** Senior Insurance Advisor

10 June 2025

**Reviewed and Authorised by:**



**Name:** Katherine Harbrow

**Title:** General Manager Assurance, Finance & Risk

12 June 2025

### Context | Horopaki

---

1. This report seeks to support the governance role of the Audit, Finance & Risk Committee by providing updates on the following topics:
  - Insurance Market Update
  - Material Damage and Business Interruption policy
  - Motor Vehicle Policy
  - Hall Hire Policy
  - Travel Policy
  - Aviation/ Drone Insurance
  - Cyber Update
  - Infrastructure update on Loss Modelling and Legal Agreement.

### Analysis and Advice | Tatāritaka me kā Tohutohu

---

#### **Insurance Market Update:**

2. The global insurance market is stabilising after recent challenges. Insurers are showing increased capacity in the market. QLDC's broker, Aon, has worked to negotiate the best possible terms, especially for high-priority policies like material damage, and motor vehicle.

#### **April 2025 Renewals:**

#### **Material Damage and Business Interruption**

3. Material Damage and Business Interruption: Premium rates increased slightly due to a rise in asset values, particularly infrastructure. Aon was successful in obtaining a reduction in the overall premium rate from 0.26% to 0.22%, mitigating some of the expected increases. The increase on assets also resulted in a 35% increase in the business interruption sub-limit. The sub-limit for 'Property in the Course of Construction' was increased to \$2,000,000, from \$1,000,000 with no additional premium cost. While there have been no recent losses exceeding \$1,000,000, the increased sub-limit enhances coverage, offering greater financial protection as construction costs rise. This ensures that any future claims related to ongoing projects are adequately covered without additional premium expense.

#### **Contracts Work**

4. QLDC's insurance for contracts works continues to be reviewed. The objective remains to ensure that contractors meet insurance requirements outlined in QLDC contracts. QLDC has made the decision to place (principle held) Contract Works Policies in the past, where projects have been for the upgrade of significant existing assets (e.g. Project Pure Wastewater Treatment Plant upgrades). The Senior Insurance Advisor is working with the Property & Infrastructure Directorate to ensure insurance provisions are met, during and when construction projects are completed. In the past, on occasion there has been a delay in obtaining the necessary information at the point

of practical completion to enable new operational assets to be added to our Material Damages Policy.

### **Motor Vehicle**

5. The motor vehicle insurance policy has seen an increase in premium by 33% from \$39,000 to \$52,000 due to a higher-than-expected loss ratio of 158%. Additionally, roadside assistance has been added for light vehicles at no extra cost. A high proportion of the claims being for windscreen damage. QLDC's policy covers 112 vehicles, licence plates are listed in the policy schedule.

### **Hall Hire**

6. The hall hirers' insurance cover continues to meet the Council's needs for community events and public use of facilities. There are no major changes in cover, and QLDC continues to review coverage to ensure it remains appropriate and cost-effective.

### **Travel**

7. Travel insurance for QLDC continues to cover the Council's staff and elected members when travelling for official purposes abroad. The travel insurance policy saw a slight increase in premium due to an increase in the number of travel days as we return to normal travel post COVID-19.

### **Aviation/Drone Insurance**

8. There are no changes to the aviation insurance policy, QLDC continues to ensure coverage for any future drone-related activities.

### **Cyber insurance**

9. In 2023 QLDC made the decision not to uptake cyber insurance, but to invest in additional controls. However, the cyber insurance market has since become more competitive, with increased capacity and reduced costs. As a result, QLDC is currently reassessing the pricing and potential risks involved, with the aim of making a more informed decision once Aon provides a quotation from the market.

### **Infrastructure Policy Update on Loss Modelling and Legal Agreement (November renewal)**

10. QLDC is actively evaluating its infrastructure insurance policy and assessing the available options in the market. Several key factors are shaping this decision.
11. The collective policy provides significant advantages through a shared catastrophe event limit, which offers scale that would be difficult to replicate with an independent policy. While there

was an initial discussion about exploring a standalone policy, the outcome was clear; it would not be a cost-effective option, and thus it was not taken to the market.

12. The London market is experiencing a softening phase after seven years of steady rate increases. This shift presents an opportunity for more favourable pricing at renewal, especially for larger placements, which may benefit from the changes in market conditions.
13. There is currently significant uncertainty around the future framework for insurance policies for three waters assets, although in the short-term, existing policies are likely to be able to be transferred to a Water Services Council Controlled Organisation (WSCCO), albeit with some complexity depending on the final composition of the WSCCO's and in-house delivery models. The Assurance and Risk team are currently working with Aon and other councils to understand the potential implications and associated solutions, including seeking clarity from the Department of Internal Affairs regarding arrangements, as appropriate. In addition, the winding-up of the Local Authority Property Programme (LAPP) could have a significant impact on the insurance landscape. Other councils (and/or WSCCOs) may seek to join the SICC, diversifying the group and spreading risk, which could enhance QLDC's/WSCCO's collective position in the market.
14. Additional options to spread risk and assess competitive pricing for infrastructure insurance are also being considered.
15. A key risk in relation to the existing SICC is the potential for claims to exceed the shared programme limit in the event of a major catastrophe. To address this, QLDC has drafted a legal agreement that ensures fair and proportional claims payouts if such an event occurs. This agreement outlines the sharing of deductibles and ensure a transparent and equitable claims process for all participants. At the time of writing the proposed agreement has been circulated to members of the SICC for consideration.
16. Given the factors above, the Senior Insurance Advisor has recommended that QLDC remains in the collective insurance programme at this time. The economies of scale and market softening provide advantages, and the potential for diversification with other councils (WSCCOs) joining the collective could further strengthen the position. Additionally, the ongoing refinement of the collective's legal framework and transparency regarding how it operates are crucial in managing future risks and claims processes. The SICC catastrophic events cover is due for renewal in November 2025. The Senior Insurance Advisor, alongside Aon, will continue to review and refine QLDC's insurance strategy, keeping the Audit, Finance & Risk Committee informed of any further developments, particularly concerning infrastructure and loss modelling.
17. The Risk & Compliance Manager will be representing the Collective at the Aon arranged meeting in September 2025 with the reinsurers in London and Singapore. This is expected to assist the insurance market to assess the risk of the collective policy. The cost of this trip is funded equally by the collective councils.
18. Options have not been presented as this report is for noting purposes only.

### Consultation Process | Hātepe Matapaki

---

#### Significance and Engagement | Te Whakamahi i kā Whakaaro Hiraka

19. This matter is of low significance, as determined by reference to the Council's Significance and Engagement Policy 2024 because it will not:

- significantly impact on the environment, culture, and people of the District
- significantly affect individuals, organisations, groups, and sectors in the community
- be inconsistent with existing policy and strategy
- significantly impact the objectives set out in the Financial Strategy, Long Term Plan and Annual Plan.

#### Māori Consultation | Iwi Rūnaka

20. As the significance of this matter is low, no consultation with the community or local iwi is required.

### Risk and Mitigations | Kā Raru Tūpono me kā Whakamaurutaka

---

21. This matter relates to the Financial risk category. It is associated with RISK10013 Unexpected change in cost or funding within the QLDC Risk Register. This risk has been assessed as having a very high residual risk rating. Residual risk is the estimated level of risk that will exist after the recommended treatment plans are implemented.

22. The approval of the recommended option will allow Council to, at least in part, transfer the risk. This will be achieved by obtaining effective insurance cover.

### Financial Implications | Kā Riteka ā-Pūtea

---

23. The cost of insurance is included within the Long term and Annual Plans. The cost of cover is within budget for the 2024-25 financial year.

### Council Effects and Views | Kā Whakaaweawe me kā Tirohaka a te Kaunihera

---

24. The following Council policies, strategies and bylaws were considered:

- Our Vision and Mission - QLDC – considered during risk identification, analysis, evaluation and treatment planning.
- QLDC Risk Management Policy
- Climate Action Plan
- QLDC Long Term Plan
- QLDC Spatial Plan
- 30 Year Infrastructure Strategy

25. The recommended option is consistent with the principles set out in the named Risk Management Policy.
26. This matter supports the Long Term/Annual Plans through ensuring that effective mitigations are in place that support risks that could impact plan objectives.

### Local Government Act 2002 Purpose Provisions | Te Whakatureture 2002 o te Kāwanataka ā-Kiaka

27. Section 10 of the Local Government Act 2002 states the purpose of local government is (a) to enable democratic local decision-making and action by, and on behalf of, communities; and (b) to promote the social, economic, environmental, and cultural well-being of communities in the present and for the future, by providing a Risk Management Framework that supports QLDC in achieving its strategic and operational objectives. As such, the recommendation in this report is appropriate and within the ambit of Section 10 of the Act.
28. The recommended option:
- Is consistent with the Council's plans and policies; and
  - Would not significantly alter the intended level of service provision for any significant activity undertaken by or on behalf of the Council or transfer the ownership or control of a strategic asset to or from the Council.

It is recommended that the public be excluded from the following parts of the meeting:

The general subject of each matter to be considered whilst the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under Section 48(1) of the Local Government Information and Meetings Act 1987 for the passing of this resolution is as follows:

**Confirmation of minutes:**

General subject to be considered:	Reason for passing this resolution:	Grounds under Section 7:
Draft Audit, Finance & Risk Committee minutes 6 March 2025	<p>That the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information where the withholding of information is necessary to:</p> <ul style="list-style-type: none"> <li>• maintain legal professional privilege</li> <li>• enable any local authority holding the information to carry out, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)</li> </ul>	<p>Section 7(2)(g)</p> <p>Section 7(2)(i)</p>



**Public Excluded Agenda Items:**

Item 12: Internal Audit Report

Item 13: Legal Update

General subject to be considered:	Reason for passing this resolution:	Grounds under Section 7:
Item 12: Internal Audit Report 2024	<p>That the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information where the withholding of information is necessary to:</p> <ul style="list-style-type: none"><li>• to protect information where making it available would be likely to prejudice the supply of similar information, or information from the same source, and it is in the public interest that such information should continue to be supplied</li></ul> <p><i>Reason for recommendation</i></p> <p>Discussion around this item is solely for the awareness of the Committee and it would be inappropriate for this report to be made available to third parties and would likely prejudice the supply of similar information. As Deloitte's audit report may evolve between now and when the final LTP is adopted by Council, it is Deloitte's request that the current version should not be released publicly.</p>	7(2)(c)(i)

General subject to be considered:	Reason for passing this resolution:	Grounds under Section 7:
<p>Item 13: Legal Update Queenstown stormwater issues and Watertightness Claims against QLDC</p>	<p>That the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information where the withholding of information is necessary to:</p> <ul style="list-style-type: none"> <li>• maintain legal professional privilege.</li> </ul> <p><i>Reason for recommendation</i></p> <p>Legal privilege protects communications between a lawyer and a client which have been made for the purposes of giving and receiving legal advice. The contents of this report are covered by legal privilege as the items in this report are matters that Council is seeking legal advice on that relate to legal proceedings (or threatened legal proceedings).</p> <p>Withholding the contents of this report from the public enables Council to obtain confidential legal advice about its position on legal issues without the risk of that advice being disclosed to another party (including the claimant) and disadvantaging its position.</p>	<p>Section 7(2)(g)</p>

This recommendation is made in reliance on Section 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by Section 6 or Section 7 of that Act or Section 6 or Section 7 or Section 9 of the Official Information Act 1982 as the case may require, which would be prejudiced by the holding of the whole or the relevant part of the proceedings of the meeting in public are as shown above with respect to each item.