



2026-31 HCC RNI Project

Attachment 5.8

Insurance report

16 May 2025





Marsh Specialty

Ausgrid

**Hunter-Central Coast
REZ Network Infrastructure
(HCC RNI) Project
Insurance Report**

10th April 2025

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Executive Summary

Introduction

Ausgrid has been selected by the Energy Corporation of NSW (EnergyCo) as the network operator for the **Hunter-Central Coast REZ Network Infrastructure (HCC RNI) Project**.

This report follows our earlier advice overviewing and detailing high level insurability, risk allocation and insurance financing solutions for HCC RNI under the REZ Network Infrastructure Project Deed (**Project Deed**) and our subsequent discussions with Ausgrid.

The focus of this report is to provide Ausgrid an overview of the insurance financing solutions for HCC RNI works in support of its application for regulatory approval for this project.

Given the size and complexity of the project, there is an increasing focus on the importance of taking a strategic approach to considering insurable risk transfer options to ensure the financial risks faced by stakeholders is kept to a minimum by incorporating as many insurable exposures as possible within the required insurance program.

Source of Information

Marsh's findings and analysis are based upon information provided by Ausgrid, much of which is confidential in nature.

Prudence and Good Practice

The observations and recommendations in this report reflect the expected standards of prudence and good practice for clients in the regulated and unregulated electricity sectors in relation to procurement of insurance program. The recommended insurance procurement methodology aims to enhance Ausgrid's resilience, ensuring it is well-prepared to navigate industry complexities while protecting the interests of all stakeholders and will contribute to a robust risk management framework that supports successful execution of project deliverable for HCC RNI works.

Summary of Insurance Costs

Insurance premium costs developed is based on program structure outlined in this report and market conditions for Ausgrid's regulatory application purposes only. The estimation developed is directionally consistent with our expectations of premium cost for Ausgrid, given Marsh's understanding and knowledge of HCC RNI project requirements and anticipated insurance market conditions throughout the project lifecycle.

Premium costs for Construction Phase represents' an estimation in nominal dollars for the entire project. A breakdown of these estimation is provided under **Insurance Cost Estimation** section of this report, intended solely for Ausgrid's revenue proposal purposes only.

Delivery Phase	TOTAL PREMIUM incl. Taxes/Excl GST	
Class of Insurance	Low	High
Contract Works (Material Damage)		
Public & Products Liability inc. Completed Operations		
Professional Indemnity		
Marine Transit		
Contractors' Plant & Equipment		
Environmental Impairment		
Workers Compensation		
Motor Vehicle Insurance		
Compulsory Third Party Motor		
Aviation Liability		
Broker Service Fee		
TOTAL		

Assumptions made in estimating premium costs

It is important to note that:

- the cost estimates have been developed for Ausgrid in support of its application to the Australian Energy Regulator (AER);
- is based on estimated project value of [REDACTED];
- cost estimate only relates to the delivery phase of the project. No allowance has been made for any additional insurance costs that may arise during project's operational phase;
- statutory charges, where applicable, have been included based on the rates effective as of the date of this report;
- final cost will depend on the receipt of additional underwriting information and negotiation of terms in the insurance market.

Proposed contract delivery methodology

This project consists of the construction of switching stations, augmentation of existing, substations, transmission lines, and telecommunications augmentations. The project is intended to be delivered based on following contract delivery methodology

- Contract 1 – Transmission Line Rebuilds - OPGW Somersby – Mt Colah Clearing, access tracks, demolition, foundations, erection & stringing
- Contract 2 – Greenfield Switching Stations - Sandy Creek STSS & Antiene STSS Civil & electrical construction, Commissioning Demountable control room procurement
- Contract 3 – Underground Fibre Laying - Design & Construct
- Contracts 4 & 5 – Civil Works in Brownfield Subs Kurri & Rothbury Via existing civil works panel.
- Design – Greenfield Substations - Sandy Creek & Antiene STSS

In addition, Ausgrid will perform the following activities:

- Transmission Subs
 - Termination and commissioning of Fibre Kiosk
 - Electrical installation and commissioning at Rothbury & Kurri
 - Remote end protection upgrades
 - Contractor commissioning oversight
- Transmission Mains
 - Transformer cable terminations at Sandy Creek & Antiene STSS
- Northern Region
 - Substation Technician effort required to support Transmission Subs scope
 - Incoming feeder deviations at Kurri, Singleton & Muswellbrook
 - Relocation of 13km of underbuilt 11kV and 6km of ADSS on KU12
 - 11kV supply into Eastern Hub.
- Design (Brownfield Subs and Transmission Lines)
- Project Management
- Environmental Approvals & Property Acquisition
- All Procurement
- Overall Project Management

Description of Approach and Methodology

To effectively manage the diverse risks inherent with project such as HCC RNI, a proactive approach to risk assessment is essential to identifying potential challenges and vulnerabilities that could impact the project's success.

Marsh understands that Ausgrid is in the process of completing a broader project risk assessment which will cover risks across all relevant categories. As project deliverable are formalised, an insurance risk profiling exercise / workshop build upon Ausgrid's existing efforts can help identify both qualitatively and quantitatively key insurable risk within overall project risk framework which will assist in enhancing insurable risk allocation and transfer methodology for this project. This approach will also help develop a deeper understanding of the insurable risks involved and facilitate the creation of customized insurance solutions that are specifically designed to meet the project's needs.

By leveraging the insights gained from the broader risk assessment, the Insurable Risk Profiling exercise can provide a detailed examination of specific risks that can be mitigated through insurance solutions. This focused approach will not only enhance the understanding of the unique insurable risks tied to the project but also ensure that the findings are directly applicable to the overall risk management strategy.

The outcomes of this exercise can be closely linked to the ongoing project risk work, allowing for a seamless integration of insights and recommendations. This alignment will facilitate the development of a comprehensive risk action plan that addresses both insurable and non-insurable risks, ensuring that all potential challenges are effectively managed. Ultimately, this collaborative effort will strengthen Ausgrid's risk management framework, enhance project resilience, and support the successful execution of the project insurance requirements.

Insurance Procurement Methodology

Construction projects are unique in that no one project faces the same risk exposures as another. An important element of the successful management of a construction project is tailoring the risk management/insurance approach to the project's specific exposures.

Given the nature of the separate components within the HCC RNI project delivery methodology, a carefully determined insurance program under the control of Ausgrid is essential as a basis of protection for this project. An insurance program under the control of Ausgrid will ensure any risk transfer solution aligns with Ausgrid's overarching objectives and provides confidence and transparency that appropriate cover is in place for the project life cycle.

Controlled insurance programs, or wrap-ups, are a method of insuring the construction project risk of the owner, contractor, and subcontractors of every tier. While the most successful programs inevitably result from a joint effort of all project participants, there are practical considerations that should govern the principal's choice between a principal controlled insurance program (PCIP), or contractor-controlled insurance program (CCIP).

The decision to follow a principal controlled insurance approach versus contractor arranged insurance is influenced by the following factors:

- **Cost Containment** – ultimately, the principal bears the cost of insurance on a project. A PCIP approach allows the principal to control of the insurance costs, rather than the contractor arranging the cover and charging for it. This also avoids the use of insurance by contractors as a proxy to manage margins which is also becoming a major concern.
- **Contractor Insolvency** - in an increasing complex project delivery environment, protection of the principal against the contractor becoming insolvent or for some reason being discharged or is unable to complete their obligations, the contractors insurance will be invalidated, and the project will become uninsured. Insurance arranged by the principal provides comfort that coverage will remain in place for the project lifecycle, even if a contractor is discharged.
- **Improved administration** – there can be difficulty and cost in controlling a large number of contractors and subcontractors' insurances. Ensuring each contractor has sufficient level of coverage and even if they do have how these are meant to operate against each other is an important area for consideration. Aggregation of deductibles could also occur from a single loss event where multiple policies are put in place.
- **Level of coverage available** - recovery under project policies can provide fertile ground for dispute, particularly when property is allegedly damaged in consequence of defective workmanship, material or design. In addition, potential subrogation actions can lead to significant delay in claims settlement. In the event of a claim, the policy or policies which will respond to the loss may be difficult to identify. If the policy of a contractor is reliant on a subcontractor's insurance to operate first, disputes between insurers may arise requiring the matter to be resolved by litigation and causing costly delays.

In addition to these factors, Ausgrid maintains a substantial operational insurance program that has been serviced by its corporate broker since its privatization by the NSW State. Throughout this period, Ausgrid have built strong relationships with its key insurers, establishing positive goodwill, and support for the long-term strategy, the value of which can be leveraged to optimise the outcome for project insurance.

Many of the current operational insurers have the appetite and capacity to cover major infrastructure construction projects, as well as the capability to insure against bushfire liabilities. This particular segment of the insurance market has experienced substantial losses both locally and internationally in recent years. Therefore, owing to the nature of the separate components within the HCC RNI, it makes sense that key construction insurers are closely linked to Ausgrid's operational program in alignment with the respective project completion dates. This connection is especially crucial in the event that any inherent defects arise after the completion of the project works.

Accordingly, for reasons described above, Ausgrid have adopted a Principal Controlled Insurance Program (PCIP) methodology to address key elements of insurable risk transfer for HCC RNI Project.

This PCIP methodology ensures that key project insurances are aligned to the project's risk profile and lifecycle, are of a nature that addresses and satisfies insurable risks through appropriate and tailored scope of coverage, ensures competitive terms and provides a common but comprehensive basis of key insurance coverage for all project stakeholders including contractors engaged in the project. Contractor arranged insurance identified in this report are commonly held by contractors and are typically available under a contractor's annual insurance program arrangements. They also include those classes of insurance that are statutory and compulsory in nature for any business.

Insurance Program Analysis

This insurance program analysis focuses on the key insurance coverages required under the **Project Deed** and commonly available insurance types that can be obtained from commercial insurers.

The insurance requirements outlined in the **Project Deed** have been developed through a collaborative and consultative process involving Ausgrid, EnergyCo, and Marsh, ensuring that the insurance framework is not only tailored to align with the specific project risk profile and lifecycle but also enhances efficiency for all stakeholders involved.

This approach has allowed parties to develop insurance requirements that satisfies insurable risks through appropriate and tailored scope of coverage ensuring that coverage is both comprehensive and cost-effective. By aligning the insurance requirements with the Project's objectives and risk landscape, Ausgrid is able to focus on their core responsibilities without the distraction of unforeseen insurance-related issues.

The insurance requirements established in the **Project Deed** will serve as a strategic tool that not only protects the interests of Ausgrid, EnergyCo, and all project stakeholders including contractors engaged in the project but also drive operational efficiency.

Limits, Deductible and /or Excesses described in this report and used for the purposes of our costing are [REDACTED], benchmarked against projects of a similar standing and nature internationally. [REDACTED]

The summary of insurances which follow represent the coverage requirements for the insurance to adequately and effectively address and protect the interests of Ausgrid arising under the **Project Deed**.

Contract Works Insurance (Material Damage)

This policy provides an indemnity for physical loss or damage to the works being undertaken during the construction and the defects correction period.

Due to significant losses in Australia, there has been a focus from underwriters with regard to natural catastrophe exposures for single projects. Flood data to demonstrate the exposure of the site to insurers will therefore be key to our effectiveness is the negotiation of flood cover for this risk. As we progress further data in respect of the hydrology and susceptibility to natural catastrophe for the actual alignment of the network will be required.

A Project Specific Contract Works Insurance (Material Damage) procured by Ausgrid, will protect the interests of each of the parties, the Infrastructure Planner (EnergyCo); the Network Operator (Ausgrid); and all other contractors and subcontractors of any tier performing any of the RNI Works under a single insurance policy.

Contract Works (Public & Products (including Completed Operations) Liability insurance

This policy will provide coverage to Ausgrid and all other stakeholders described in the Project Deed for its legal liability to others arising out of physical loss or damage to third party property and for personal injury arising out of the performance of the RNI Works.

Whilst Global commercial insurance conditions continued to moderate, insurers remain cautious on pricing adequacy and sustainability of their portfolios, particularly for extreme weather exposed risks, with increased information requirements and internal referrals. Market conditions remain “out of favour” for bushfire exposed accounts driven by increasing severity and frequency of extreme weather events which is reducing insurer appetite and putting upward pressure on premium pricing.

Given the prevailing market conditions, a Project Specific Contract Works (Public & Products (including Completed Operations) Liability insurance procured by Ausgrid will allow Ausgrid to drive cost efficiency and coverage efficacy, particularly in relation to Bushfire liability. This policy will protect the interests of each of the parties, described in the Project Deed under a single insurance policy.

Design & Construct Professional Indemnity Insurance

This policy covers an insured against civil liability resulting from a claim arising from the performance of professional services as defined within the policy.

This class of insurance has performed poorly for many years which has led to a significant loss of capacity from the marketplace as insurers withdrew from proving capacity for these risks. As the supply of capacity dried up, costs have increased, and coverage has narrowed. This is especially so in the project specific Professional Indemnity insurance market. Insurers continue to exercise caution in deploying construction professional indemnity capacity for project policies. Whilst the scope of coverage remains consistent, pricing is anticipated to remain under pressure with insurers also likely to impose high minimum deductible levels, particularly for larger projects.

[REDACTED]

Marine Transit Insurance

This policy provides cover for loss of or damage to goods whilst in transit. For transits occurring within Australia related to the project, coverage will be provided under the Contract Works (Material Damage) policy. However, transits involving equipment procured from overseas suppliers will need to be covered by a Project-Specific Marine Transit Policy.

Contractors Plant & Equipment Insurance

Providing liability insurance for property damage arising from the use of any plant and equipment used in the performance of or in any way related to the project. Typically, it is the responsibility of each party participating in the project to secure their own insurance coverage.

Environmental Impairment Liability Insurance / Contractors Pollution Liability Insurance

Covering legal liability for personal injury (including illness, mental illness, injury to, or disease or death of, persons) or property damage (including loss of use) as a result of pollution conditions caused by the execution of the project.

Demand for environmental liability insurance continues to rise, driven by concerns regarding environmental exposures as companies enhance their Environmental, Social, and Governance (ESG) policies, as well as by contractual requirements in infrastructure and other large projects.

Workers Compensation Insurance

Ausgrid must insure their liability at law against injury to their employees in accordance with the laws of state or country that the employment contract is entered into. Similarly, there should be a requirement that all contractors and subcontractors maintain their own workers compensation insurance.

Motor Vehicle (Including Third Party Property Damage) Insurance

Providing liability insurance for property damage arising from the use of any registered vehicles. Such insurance is typically the responsibility of each party involved in the project.

Compulsory Motor Vehicle Third Party Liability Insurance

Ausgrid must insure their liability at law against injury arising out of the operation and use of registered vehicles. Similarly, contractors and subcontractors should be required to maintain their own Compulsory Motor Vehicle Third Party Liability Insurance.

Aviation Liability Insurance (non-owned Aviation Liability)

Covering Legal liability to pay compensation for personal injury and/or property damage (including loss of use or consequential loss resulting from personal injury and/or property damage) caused by an occurrence during the period of insurance, where such occurrence arises out of the operation or use of aviation assets in the RNI Works or the Delivery Activities. Coverage for this risk is included within Public & Products Liability inc. Completed Operations policy. [REDACTED]

Industrial Special Risks (including Property Damage & Consequential Loss Insurance)

It is understood that RNI assets will form part of the Ausgrid Regulatory Asset Base following practical completion. Consequently, no cost allowance has been made for this type of insurance coverage in this report.

Schedule 10 Project Deed Insurance Requirements

Delivery Phase

<i>Class of Insurance</i>	<i>Key Requirements</i>	<i>Is Insurance Available?</i>	<i>Responsible Party</i>
<i>Contract Works Insurance (Material Damage)</i>	[REDACTED]	Yes [REDACTED]	Ausgrid
	[REDACTED]	[REDACTED]	
	[REDACTED]	[REDACTED]	
	[REDACTED]	[REDACTED]	
		[REDACTED]	
		[REDACTED]	
		[REDACTED]	
		[REDACTED]	
		[REDACTED]	
		[REDACTED]	
<i>Contract Works (Public & Products (including Completed Operations) Liability insurance)</i>	[REDACTED]	Yes	Ausgrid
	[REDACTED]		
	[REDACTED]		
	[REDACTED]		
	[REDACTED]		
	[REDACTED]		
	[REDACTED]		
<i>Marine Transit Insurance</i>	[REDACTED]	Yes, [REDACTED]	To be procured by each of Ausgrid, Contractors and Consultants of any tier, for their respective interests
	[REDACTED]	[REDACTED]	
	[REDACTED]	[REDACTED]	
	[REDACTED]	[REDACTED]	
	[REDACTED]	[REDACTED] se	
	[REDACTED]		
<i>Contractors Plant & Equipment Insurance</i>	[REDACTED]	Yes	To be procured by each of Ausgrid, Contractors and Consultants of any tier, for their respective interests
	[REDACTED]		
	[REDACTED]		
<i>Design & Construct Professional Indemnity Insurance</i>	[REDACTED]	Yes, [REDACTED]	To be procured by each of Ausgrid, Main Subcontractor and Consultants of any tier, for their respective interests
	[REDACTED]	[REDACTED]	
	[REDACTED]	[REDACTED]	
	[REDACTED]	[REDACTED]	
	[REDACTED]	[REDACTED]	
	[REDACTED]	[REDACTED]	
	[REDACTED]	[REDACTED]	

<i>Class of Insurance</i>	<i>Key Requirements</i>	<i>Is Insurance Available?</i>	<i>Responsible Party</i>
<i>Environmental Impairment Liability Insurance / Contractors Pollution Liability Insurance</i>	[REDACTED]	Yes	Ausgrid
<i>Worker's Compensation Insurance</i>	[REDACTED]	Yes	To be procured by each of Ausgrid, Contractors and Consultants of any tier, for their respective interests
<i>Motor Vehicle Insurance</i>	[REDACTED]	Yes	To be procured by each of Ausgrid, Contractors and Consultants of any tier, for their respective interests
<i>Compulsory Motor Vehicle Third Party Liability Insurance</i>	[REDACTED]	Yes	To be procured by each of Ausgrid, Contractors and Consultants of any tier, for their respective interests
<i>Aviation Liability Insurance (non-owned Aviation Liability) (if applicable)</i>	[REDACTED]	Yes, [REDACTED]	To be procured by each of Ausgrid, Contractors and Consultants of any tier, for their respective interests

Insurance Cost Estimation

Factors that affect cost of insurance

A key factor that affects the cost of insurance is market conditions. Macro trends impacting the insurance industry is continuing to drive insurer behaviours and appetite. After years of sustained hard market conditions, driven by above average catastrophe losses and sustain unsatisfactory results, there are signs of stability and profitability returning to the market.

This positive shift has attracted increased investment capital into the market, leading to greater capacity for insurers to underwrite risks resulting in the gradual softening of market conditions in comparison to prior years. Whilst emerging new capacity and improvements in insurer appetite are generating renewed, albeit tempered, competition and assisting to ease upward pressure on premiums, markets remained cautious on pricing adequacy and sustainability of their portfolios, especially for natural catastrophe exposed risks. Market conditions remain “out of favour” for bushfire exposed accounts driven by increasing severity and frequency of extreme weather events is continuing to drive appetite and is putting upward pressure on price.

In addition, while the pressure to increase deductible levels across the board has eased, the emphasis on determining the appropriate deductible for each project remains critical. Insurers are still pushing for desired minimum deductible level based on the project's size and may provide additional incentives, such as premium discounts, for opting for higher deductible options.

Overall, insurer and market capacity remain steady; however, secondary perils, particularly flooding, are increasingly influencing the amount of capacity insurers are willing to deploy. Insurers are placing greater emphasis on the potential impact of longer return period events in their decision-making processes, which leads them to mitigate portfolio risks by reducing their participation in individual projects. As a result, larger projects may require more co-insurance support than they did in previous years.

Accordingly, premium cost estimation developed for HCC RNI Project is directionally consistent with our expectation of future market conditions, given our understand of prevailing market conditions, and can be considered reasonable.

Assumptions made in estimating premium costs

It is important to note that:

- the cost estimates have been developed for Ausgrid in support of its application to the Australian Energy Regulator (AER);
- is based on estimated project value of [REDACTED];
- cost estimate only relates to the delivery phase of the project. No allowance has been made for any additional insurance costs that may arise during project's operational phase;
- statutory charges, where applicable, have been included based on the rates effective as of the date of this report;
- final cost will depend on the receipt of additional underwriting information and negotiation of terms in the insurance market.

Consolidated Premium Table

[Redacted]

[Redacted Table Content]

[REDACTED]

[REDACTED]



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