Marsh

Victoria Power Networks Pty Ltd and United Energy Distribution Pty Ltd

Insurance Premium Forecast Report for 2026-2031 Regulatory Control Period

26 November 2025

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26 November 2025

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Senior Associate

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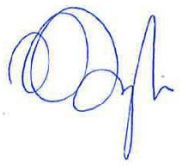
Dear Brittany

Powercor and United Energy - Report on forecast insurance costs for the 2026 – 2031 regulatory control period

We are pleased to enclose our report on the forecast insurance costs for the 2026-2031 regulatory control period for Powercor Australia Ltd and United Energy Distribution Pty Ltd.

Please do not hesitate to contact us if you wish to discuss any aspect of this report.

Yours sincerely,



Ritesh Singh

Managing Principal

Marsh Pty Ltd

Section 1

Executive Summary

1.1. Introduction and Purpose

Marsh Pty Ltd (**Marsh**) has been engaged by DLA Piper, representing Powercor Australia Ltd (**Powercor**) and United Energy Distribution Pty Ltd (**United Energy**), to address specific instructions relating to insurance pricing and premiums for Powercor and United Energy during the regulatory control period (**RCP**) from 1 July 2021 to 30 June 2026 (**2021 – 2026 RCP**) and to provide forecast insurance premium costs for the forthcoming RCP spanning from 1 July 2026 to 30 June 2031 (**2026 – 2031 RCP**). This report presents Marsh's expert analysis and projections concerning the insurance premiums applicable to Powercor and United Energy during this period.

1.2. Background and Scope

Powercor and United Energy are currently undergoing their 'regulatory resets' for the 2026 - 2031 RCP. The Australian Energy Regulator (**AER**) has recently issued draft decisions regarding the distribution determinations for both entities for this period. These draft decisions include the AER's proposed methodology for assessing operating expenditure (opex), including insurance-related opex for the 2026 – 2031 RCP.

The scope of this report responds to the questions outlined in paragraph 17 of the letter of engagement dated 25 November 2025. In particular, this report primarily focuses on factors influencing the costs of Powercor and United Energy's General Liability Insurance Program.

Victoria Power Networks Pty Ltd (**VPN**), as the parent company of Powercor and CitiPower Pty Ltd (**CitiPower**), procures the General Liability insurance program through a group purchase arrangement, with United Energy and SA Power Networks Pty Ltd (**SAPN**). For the avoidance of doubt, this report is prepared only in respect of Powercor and United Energy. In this report, references to VPN includes both Powercor and CitiPower collectively.

VPN insurance costs are allocated between CitiPower, Powercor and Network Services. Premium estimates for Powercor have been developed using allocation factors provided by DLA Piper as follows:

Years	FY21	FY22	FY23 – FY25	FY27 – FY31
Allocation	56.8%	56.1%	57.8%	62.1%

A copy of the letter of engagement is included in Appendix 1.

1.3. Overview of key findings and conclusions

The results and subsequent conclusions outlined in this report are based on information reviewed by us and our industry knowledge. In undertaking the analysis, we have taken into account a wide range of information, including both historical and current industry trends, external factors, and our understanding of Powercor and United Energy's specific circumstances.

Our conclusions with regard to why insurance pricing and actual premiums for Powercor and United Energy were lower than expected, and forecast respectively, for the 2021 – 2026 RCP, is summarised below: (17.1)

- The forecast developed for the 2021-2026 RCP, was significantly influenced by the results of 2019-2020 and 2020-2021 renewals for Powercor and United Energy, which had resulted in a substantial increase in insurance pricing, driven by factors such as rising claims costs, evolving risk exposures, and broader economic influences. Despite these expectations, the anticipated upward trend in insurance premiums did not materialise as forecasted. Instead, a combination of evolving market dynamics, and effective procurement and increasingly sophisticated risk management strategies, contributed to a stabilisation in premium costs for Powercor and United Energy.

- A critical element underpinning the lower-than-expected premium outcomes was Powercor and United Energy's efforts to strategically shift insurers' underwriting philosophy of their risk. Despite significant headwinds, driven by a developing claims profile with class action proceedings on foot in the form of Cudlee Creek from a fellow program participant, VPN and United Energy's ability to retain a 'Structured Primary (Reinsurance) Solution', helped maintain the integrity of their coverage structure, while minimising the forecasted premium increases for their portfolio.

- Beyond this structural innovation, Powercor and United Energy responded to insurers' demand for tangible risk management initiatives by investing in a compelling narrative of disciplined, transparent, and consistent risk management, through the provision of a

comprehensive risk prospectus that offered verifiable evidence of risk management and mitigation, including detailed audit trails, data-backed mitigation initiatives, measurable outcomes, and executive-level accountability. These efforts were supported by rigorous site inspections, independent risk assessments, vegetation management records, and capital investments in advanced technologies such as Rapid Earth Fault Current Limiters (REFCL) - tools that built trust and credibility in a highly scrutinised underwriting environment.

- Although the anticipated adverse impact of COVID-19 on liability insurance premiums prompted insurers to adopt a cautious approach, the impact of this was not substantial. Insurers sought to balance risk exposure with financial sustainability amid an uncertain claim's environment, contributing to a moderate upward adjustment in premium pricing over the 2021 – 2026 RCP.

- Consequently, Powercor and United Energy experienced a more stable and controlled premium outcome relative to the forecasted amounts in their 2021-2026 RCP. This divergence between forecasted and actual insurance premium costs underscores the challenges inherent in long-term insurance premium forecasting, particularly for bushfire risk.

Our analysis with regard to local and global general liability insurance markets in which Australian electricity network businesses acquire general liability insurance – (17.2)

- The general liability insurance market is gradually softening after years of insurer capacity recalibration, increased attachment points, tighter terms, and improved pricing adequacy, attracting new investment capital and increasing underwriting capacity, however, underwriting scrutiny remains for high hazard risk such as bushfire, due to historical catastrophic events and ongoing climate impacts; exemplified by the 2025 Californian wildfires.

- The historical hard market vs. soft market cyclicality appears to have transitioned to a perpetual focus on covering loss cost trend and reducing portfolio volatility. Market conditions reflect the nuances of the individual risk and insurers remain disciplined on

capacity deployment for high-hazard industries such as bushfire risk, focusing on their aggregated exposure across multiple insured entities and states.

- However, these capacity constraints have started to moderate driven by continued insurer recalibration, introduction of broker-led placement facilities (e.g., Marsh Fast Track), and disciplined capacity deployment focused on aggregated exposures.

- Whilst emerging soft market conditions are promising and provide competitive tension, this should be viewed with cautious optimism, as insurer appetite can shift quickly in response to losses or broader portfolio pressures, particularly for high-hazard risk such as bushfire.

Our conclusions with regard to insurance premium forecast for the 2026 – 2031 RCP (17.3):

- While macro trends impacting the insurance industry are continuing to drive insurer behaviours and appetite, the softening of the insurance market, continuing in 2025, has alleviated the long-standing constraints in sourcing new capacity for bushfire risk.

- With expectations for favourable conditions to persist in the immediate term, and in the absence of any catastrophic event that could significantly impact the availability of capacity for bushfire liability insurance, we do not anticipate any material change to future premiums for the next RCP, given Marsh's understanding and knowledge of Powercor and United Energy's specific circumstances.

- This outlook is primarily driven by heightened competition and a stable environment, assuming global bushfire / wildfire claims activity remains relatively benign. In contrast, the 2021-2026 RCP forecasts was developed at a time of dynamism, when insurers continued to scrutinise and revise their pricing models, with a much greater focus on adequacy of 'pay-back' period.

- While emerging new capacity and broker lead facilities are continuing to alleviate the challenges faced by clients exposed to bushfire risk, the Powercor and United Energy General Liability (including Bushfire) program remains delicately poised as we look to future renewals. Any unfavourable development in market appetite is likely to result in adverse changes to insurance premiums.

Our conclusions with regard to what insurance premium would have been if Powercor and United Energy maintained the same level of coverage as they had at the beginning of the 2021 – 2026 RCP (17.4):

- Data limitations and the complex interplay of claims experience, market conditions, program structures, and procurement strategies create significant challenges in precisely attributing premium changes.

- [redacted]

- [redacted]

- Premium projections account for a moderated need to replace capacity from 2023 onwards for Powercor and United Energy to maintain the same level of coverage as at the beginning of the 2021 – 2026 RCP.

- These results should be interpreted as indicative rather than definitive, recognising the inherent uncertainties that influence actual outcomes.

1.4. Experience and Expertise

The conclusions and forecasts presented in this report are solely based on our experience in the insurance market, particularly as it relates to electricity transmission and distribution providers in Australia. The Energy and Power practice at Marsh is at the forefront of advising companies in the sector on risk and insurance issues that impact operational success. Through our industry focus, we deliver services and solutions that are relevant to the risk issues of the industry. The team responsible for this report collectively possesses over 40 years of experience in procurement and management of General Liability insurance. Detailed credentials of the Marsh team are provided in Appendix 2.

1.5. Other Insurances

As prudent and efficient operators, Powercor and United Energy also procure a range of additional insurance coverages, including but not limited to:

- Property insurance (Industrial Special Risks);
- Directors' and Officers' (D&O) insurance; and
- Other insurance lines such as Workers Compensation, Contract Works, Crime, Aviation, Environmental Liability, Motor Vehicle, Marine Cargo, Corporate Travel, and Voluntary Workers and Group Personal Accident.

Collectively, these additional policies represent a smaller proportion of Powercor and United Energy's overall insurance premium costs, when compared against premium costs for General Liability (including Bushfire) program. Marsh anticipates that several of these insurance classes will experience varying degrees of change during the forthcoming RCP, driven by anticipated shifts in Powercor and United Energy's risk profiles. [redacted]

The insurance program outlined above reflects a standard of prudence and good practice consistent with industry norms for electricity network clients. Powercor and United Energy retain exposure to risks outside the scope of these policies, including claims below policy deductibles and those exceeding policy limits. Consistent with industry practice, Powercor does not commercially insure electricity poles and wires.

Section 2

Information Reviewed

In preparing this report, we have relied on certain information provided by DLA Piper. It should be noted that we did not perform an independent audit of the information provided. Any inaccuracies or inconsistencies in the data could have a significant effect on our results.

As with all projections, our estimation of Powercor and United Energy's premium costs is subject to elements of uncertainty, and actual experience will almost certainly differ from that projected. For areas where uncertainty arises, industry knowledge and judgement have been applied. Our estimate contained within this report constitutes our best estimate as of the date of this report.

The principal sources of information relied upon in preparing this report is outlined as follows:

DLA Piper Supplied Information	1) PAL RRP ATT50 - Premiums forecasting report - Nov2020 – Confidential 2) AER - Attachment 3 - Operating expenditure - Draft decision - Powercor distribution determination 2026-31 - September 2025 (1).pdf 3) AER - Attachment 3 - Operating expenditure - Draft decision - United Energy distribution determination 2026-31 September 2025.pdf 4) Powercor - Regulatory Proposal - 31 January 2020 (2).pdf 5) AER - Draft decision - Powercor distribution determination 2021-26 - Attachment 6 - Operating expenditure - September 2020.pdf 6) Powercor - Revised Regulatory Proposal - 2021-26 - December 2020.pdf 7) AER - Final decision - Powercor distribution determination 2021–26 - Attachment 6 - Operating expenditure - April 2021 (1).pdf 8) United Energy - Regulatory Proposal - 31 January 2020 (1).pdf 9) AER - Draft decision - United Energy distribution determination 2021-26 - Attachment 6 - Operating expenditure - September 2020.pdf

	10) United Energy - Revised Regulatory Proposal - 2021-26 - December 2020.pdf 11) AER - Final decision - United Energy distribution determination 2021–26 - Attachment 6 - Operating expenditure - April 2021.pdf
Marsh Internal Data	1) Victoria Power Networks, United Energy & South Australian Power Networks 2021/22 Liability Post Renewal Report, November 2021 2) Victoria Power Networks, United Energy & South Australian Power Networks 2022/23 Liability Post Renewal Report, November 2022 3) Victoria Power Networks, United Energy & South Australian Power Networks 2023/24 Liability Post Renewal Report, December 2023 4) Victoria Power Networks, United Energy & South Australian Power Networks 2024/25 Liability Post Renewal Report, January 2025 5) Victoria Power Networks Pty Ltd & United Energy Ltd, **Bushfire Liability Review, Marsh Report,** August 2025 6) **The Burning Issue: Managing Wildfire Risk**, Marsh McLennan Insights, 2019
Marsh Insurance Market Reports	1) Australian Mid-Year Insurance Market Update_2021 2) Australian Mid- Year Insurance Market Update_2023 3) Australian Mid-Year Insurance Market Update_2024 4) Australian Mid-Year Insurance Market Update_2025

This report sets out our comments from our review of the above information and the documents contained therein.

Section 3

Reliance and Limitations

3.1. Distribution and Use

This report has been prepared by Marsh Pty Ltd (Marsh) for the sole use of DLA Piper, Victoria Power Networks Pty Ltd and United Energy Distribution Pty Ltd in relation to the purpose described in the previous section of this report. The report is not intended to be used for any other purpose and may not be suitable for any other use.

Readers should recognise that the furnishing of this report is not a substitute for their own due diligence and should place no reliance on this report or the data contained herein which would result in the creation of any duty or liability by Marsh to the reader. No further distribution of this report or reference, either oral or written, to Marsh, our analysis or findings related to this report may be made without our prior written consent.

Except in so far as liability under statute cannot be excluded and, to the extent permitted by law, Marsh, its directors, employees and agents will not be held liable for any loss or damage of any kind arising as a consequence of any use of the report or purported reliance on the report including any errors in, or omissions from, the utilised models.

The report must be read in its entirety. Individual sections of the report including the Executive Summary could be misleading if considered in isolation from each other. In particular, the opinions expressed in the report are based on a number of assumptions and qualifications which are set out in full in the report.

Our results are subject to a number of areas of uncertainty: parameter, model, sampling and inherent. It should be noted that the modelling undertaken does not and cannot take into consideration changes in the legal or socio-economic environment that may directly affect the frequency and cost of claims. Opinions and estimates contained in the report constitute our judgement as of the date of the report and are subject to change without notice.

3.2. Reliance

In preparing this report, we have relied on information provided by DLA Piper in the letter of engagement dated 25 November 2025 and its enclosures. It should be noted that we did not perform an independent audit of the information provided. Any inaccuracies or inconsistencies in the data could have a significant effect on our results.

3.3. Limitations

As with all projections, our estimation of Powercor and United Energy's future premium costs is subject to elements of uncertainty, and actual experience will almost certainly differ from that projected. For areas where uncertainty arises, industry knowledge and actuarial judgement have been applied. Our estimate contained within this report constitutes our best estimate as of the date of this report.

3.4. Disclaimer

This document and any recommendations, analysis, or advice provided by Marsh (collectively, the "Marsh Analysis") are intended solely for the entity identified as the recipient herein ("you"). This document contains proprietary, confidential information of Marsh and may not be shared with any third party, including other insurance producers, without Marsh's prior written consent. Any statements concerning future premium costs, market trends, insurance and regulatory implications, or legal matters are based solely on our experience as insurance brokers and risk consultants. Any modelling, analysis or projections are subject to inherent uncertainty, and the Marsh Analysis could be materially affected if any underlying assumptions, conditions, information, or factors are inaccurate or incomplete or should change. The information contained herein is based on sources we believe reliable, but we make no representation or warranty as to its accuracy. Marsh shall have no obligation to update the Marsh modelling, analysis or projections and shall have no liability to you or any other party with regard to the Marsh modelling, analysis or projections or to any services provided by a third party to you or Marsh. Marsh makes no representation or warranty concerning the application of policy wordings or the financial condition or solvency of insurers or reinsurers. Marsh makes no assurances regarding the availability, cost, or terms of insurance coverage. All decisions regarding the amount, type or terms of coverage shall be your ultimate responsibility. By accepting this report, you acknowledge and agree to the terms, conditions and disclaimers set forth above.

Section 4

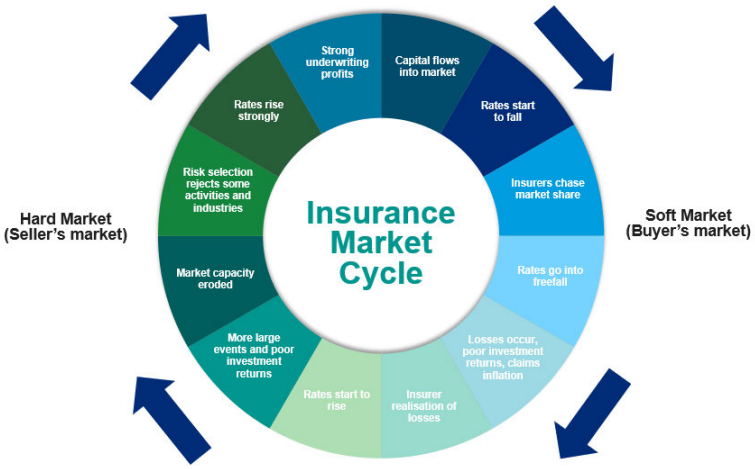
Factors affecting cost of insurance

This section outlines key concepts of the insurance market, that are essential for understanding the premium cost forecasts for Powercor and United Energy. This includes an overview of the concept of insurance cycles, which describe the natural fluctuations in the insurance market over time. These cycles alternate between periods known as hard markets and soft markets, each with distinct characteristics that directly influence premium pricing and insurance capacity.

4.1. Insurance Market Cycle

The insurance market is inherently cyclical, characterised by alternating periods of expansion and contraction that significantly influence premium pricing, coverage availability, and the overall capacity insurers can offer to policyholders. These cycles, commonly referred to as the insurance market cycle or underwriting cycle, typically span between two and ten years, though the exact duration can vary depending on market conditions and external factors.

The cycle oscillates between two primary phases: soft markets and hard markets.



In a soft market, competition drives premiums down, underwriting standards relax, and coverage is more available, benefiting buyers but reducing insurer profits.

In a hard market, often triggered by losses or capital shortages, premiums rise, underwriting tightens, and coverage contracts, favouring insurers and limiting capacity.

The dynamics of these cycles are driven by the interplay between insurer competition, capital availability, and loss experience. These macro trends impacting the insurance industry drive insurer behaviours and appetite.

After years of sustained hard market conditions, encompassing the current and previous RCPs driven by above average catastrophe losses and sustained unsatisfactory results, there are signs of stability and profitability returning to the market.

The historical hard market vs. soft market cyclicality appears to have transitioned to a perpetual focus on covering loss cost trend where insurers are seeking to price policies so that premiums consistently reflect the anticipated increase in claim costs driven by inflation, legal changes, and evolving risk exposures, rather than waiting for market conditions to force a correction.

These market conditions reflect the nuances of the individual risk and insurers remain disciplined on capacity deployment for high-hazard industries such as bushfire risk, focusing on their aggregated exposure across multiple insured entities and states.

Across most insurance classes, insurers' premium pools have grown, and rates have stabilised. Combined with improving loss ratios and higher investment returns, these factors have led to improvement in financial results for insurers. This has encouraged a return of market competition from existing insurers, as well as the introduction of some new entrants, which has been a welcomed development for insurance buyers.

Reinsurer treaty renewals in recent years have experienced far more favourable conditions compared to the prior years, although natural catastrophe remains an ongoing challenge, particularly for those with critical catastrophe exposures.

The gradual softening of market conditions, driven primarily by an increase in insurer capacity, improved loss experience, and favourable economic conditions, is leading to more competitive premium pricing and greater availability of insurance coverage. For Powercor and United Energy, this means a potential stabilisation or reduction in insurance costs, along with enhanced options for coverage.

However, while market conditions are softening, insurers remain vigilant due to ongoing risks such as impact of climate change and emerging exposures. As a result, premium adjustments and underwriting practices continue to be carefully managed.

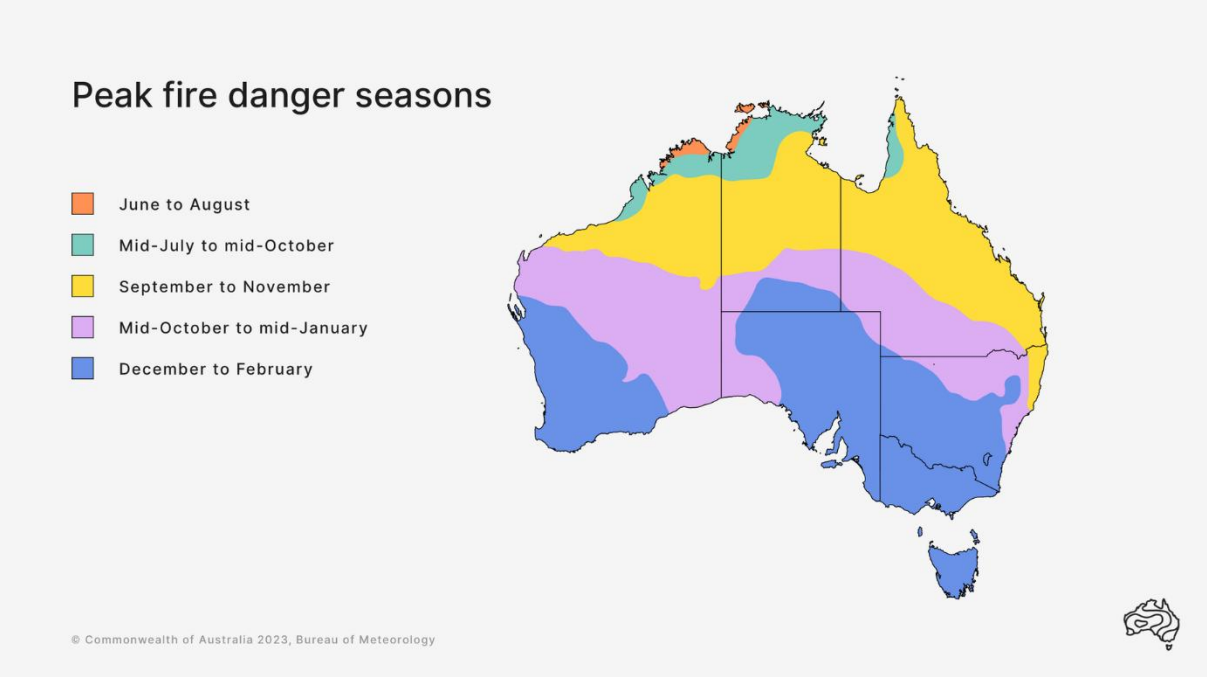
4.2. Changing Perception of bushfire risk in the insurance market

One of the primary drivers of insurance premium costs for Powercor and United Energy is the changing perception of bushfire risk in the insurance market. This section overviews the dynamics of the bushfire environment that both Powercor and United Energy operate within, highlighting the key factors that influence risk exposure and insurance market behaviour.

4.2.1.1. Bushfire Hazard in Australia

Bushfires are an intrinsic part of Australia's environment and can be categorised into two predominant types: grassland fires and forest fires. The level of bushfire hazard is influenced by several factors including the weather (and its potential to cause a bushfire prone environment), the terrain slope and topography (which affects the 'ease' of a bushfire spreading and the rate of spread) and the density of vegetation (which affects the available fuel load). Furthermore, most areas of Australia experience bushfires, however, it differs region to region, and this is highlighted in the figure below.

Figure 1: Overview of Peak Bushfire Danger Seasons



Consequences of bushfire are highly dependent on the exposure of assets, the landscape immediately surrounding assets, and the asset's construction type (and its inherent fire resistance). Bushfires also have significant interaction with other natural perils. Across the

Australian continent, lightning is the predominant ignition source of fires, being responsible for just over 50% of all ignitions.

Additionally, significant and rapid changes in the wind direction associated with cold fronts and the strong winds associated with synoptic storms can heighten the intensity of the fire front and carry embers (causing 'spotting'), as was observed in the bushfires of Ash Wednesday.

4.2.1.2. Bushfire Hazard in Victoria

Victoria's bushfire hazard is most severe in its forested highlands and ranges, including the Great Dividing Range and alpine areas, where steep terrain and continuous eucalypt forests combine with strong fire weather to produce the highest Fireline Intensity (FLI) values. Key hotspots include East Gippsland, the Victorian Alps, the Central Highlands, and coastal forest ranges such as the Otways and Mornington Peninsula. These areas have historically experienced catastrophic fires, such as the 2019–20 Black Summer, confirming the alignment between modelled hazard and actual fire behaviour. However, ignition likelihood and vegetation condition also influence fire occurrence, with some high-FLI areas burning less frequently due to fuel discontinuity.

Climate change is expected to increase both the frequency and severity of extreme fire-weather conditions in Victoria, thereby amplifying bushfire hazard. Modelling by CSIRO's National Bushfire Intelligence Capability projects hotter, drier, and windier conditions that will raise Fireline Intensity (FLI) across southeastern Australia, with the most significant increases in East Gippsland, the Central Highlands, and Alpine regions. This shift means that areas currently considered moderate risk may become high or very high risk in the coming decades, necessitating ongoing adaptation in fuel management, land use, and asset protection. The evolving hazard profile underscores the importance of reassessing exposure, defensible space, and building resilience to ensure that risk controls remain effective under a warming climate. These changes also have significant implications for insurance and community resilience planning in Victoria.

Section 6 of this report further expands on these evolving conditions and how it is affecting the insurance programs of Powercor and United Energy.

Section 5

Review of Insurance Pricing and Premiums during the 2021 – 2026 RCP

5.1. Overview

Powercor and United Energy's 2021-2026 RCP premium forecasts were developed against the backdrop of dynamism in the global bushfire liability market. At the time of forecasting, prevailing market conditions indicated a significant increase in insurance pricing, driven by factors such as rising claims costs, evolving risk exposures, and broader economic influences. Despite these expectations, the anticipated upward trend in insurance premiums did not materialise as forecasted. Instead, a combination of evolving market dynamics, effective risk management strategies, and other mitigating influences contributed to a stabilisation in premium costs. Consequently, Powercor and United Energy experienced lower insurance operating expenses relative to the forecasted amounts in their 2021-2026 RCP. This divergence between forecasted and actual insurance premium costs underscores the challenges inherent in long-term insurance premium forecasting.

This report further explores the underlying factors contributing to the divergence between forecasted and actual insurance premium costs, aiming to provide an understanding of the market dynamics and risk management practices that influenced these outcomes.

5.2. Summary of 2021-2026 Results

We note that in its final determinations for Powercor and United Energy for the 2021 – 2026 RCP,[1] the AER included a step change of $67.7 million ($2020-2021) for Powercor, and a step change for $28.9 million ($2020-2021) for United Energy.

The table below provides an analysis of Powercor and United Energy's actual spend in the 2021 – 2026 RCP.[2] We note that the figures below reflect premium costs for each of

[1] AER - Final decision - Powercor distribution determination 2021–26 - Attachment 6 - Operating expenditure - April 2021; AER – Final decision – United Energy distribution determination 2021-26 – Attachment 6 – Operating expenditure – April 2021

[2] DLA Piper, Letter of Engagement dated 25 November 2025.

Powercor and United Energy's general liability (including bushfire) program, rather than their entire insurance portfolio.

Actual insurance costs	FY22	FY23	FY24	FY25	FY26 (est)
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

5.3. Factors contributing to the lower-than-expected insurance costs (17.1b)

A key factor driving movement in insurance premium rates for Powercor and United Energy's General Liability (including bushfire) program, in recent years, has been the increasing severity and frequency of bushfires, closely linked to climate change. Changing weather patterns characterised by hotter summers, colder winters, fewer but more intense rainfall events, and prolonged dry periods have created conditions that are increasingly conducive to severe bushfires.

The catastrophic bushfires of 2019-2020 significantly heightened insurers' perception of bushfire risk. The extension of annual fire seasons in both Australia and the United States has resulted in overlapping fire seasons, limiting governments' ability to share firefighting resources as they have traditionally done. These changing climatic conditions across all regions have reduced the benefits of geographic portfolio diversification for insurers. Historically, insurers could offset losses in one region with better results in another, for example, "good years" in the U.S. offsetting "bad years" in Australia. However, increasing event correlation driven by global climate trends is diminishing this diversification benefit, and has continued to influence insurer and reinsurer appetite for large bushfire exposures.

Another major contributor to rising premium rates has been the emergence of high-profile utility caused fires. A notable example is the 2018 Camp Fire in California, ignited by a defective electric transmission line owned by Pacific Gas & Electric (PG&E). While regulatory and legislative frameworks differ between the United States and Australia, the scale of losses

in the United States has influenced underwriting attitudes towards bushfire risk in Australia. Insurers became more cautious, reflecting the heightened risk of utility related fire liabilities.

From a technical pricing perspective, the incorporation of large losses into insurers' pricing models also drove significant increases in base rates (expected loss per unit of exposure), risk loadings, and profit margins. This resulted in higher premiums across all layers of insurance coverage. Underwriter behaviour, influenced by these factors, contributed to over $500 million in capacity exiting the bushfire liability sector at the outset of the 2021-2026 RCP. Treaty reinsurers challenged underwriting approaches more rigorously than previously seen in Australia, demanding greater accountability from direct insurers in a manner more akin to practices in the United States. As a result, many sought to restrict capacity in this sector.

Basic supply and demand dynamics meant that placing the same insurance limits particularly for large, hundred million dollar towers became more expensive. Remaining carriers recognised the thinning competition and leveraged this position to justify higher, though not unjustified, premium rates.

These dynamic market conditions necessitated a recalibration of risk retention and placement strategies for businesses such as Powercor and United Energy to ensure adequate coverage levels. For Powercor and United Energy, this can be seen from outcomes achieved over the 2021-2026 RCP, which reflect a strategic balance of program structure and pricing that a prudent and efficient NSP would make, given its operating environment.

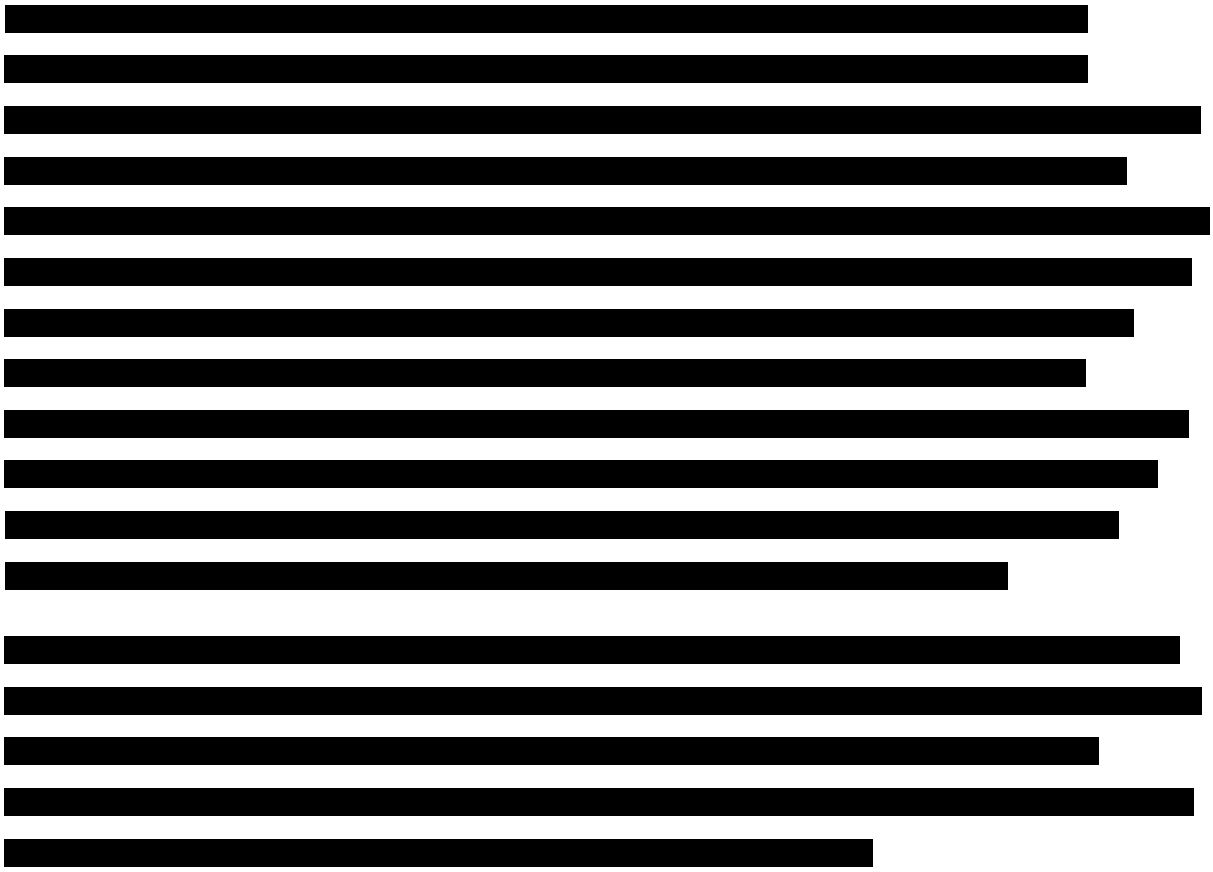
5.4. Duration and extent of these impacts across the regulatory years within the 2021 – 2026 RCP and their potential influence on the 2026 – 2031 RCP (17.1c).

The 2020-2021 market dynamics, driven by significant capacity withdrawals and steep pricing increases, materially influenced the basis of 2021-2026 RCP forecast developed for Powercor and United Energy. The loss of over $300m in capacity and premium increases of [redacted] experienced by Powercor and United Energy at 2020-2021 renewal reflected a significant change in insurers' perception of bushfire liability risks.

The exit and capacity withdrawal of major insurers such as Allianz, Zurich, Vero, and multiple Lloyds syndicates resulted in a net loss exceeding $500m in available capacity from the

global insurance market. Reduced appetite for broader energy risks by several insurers also constrained options for risk transfer, particularly for bushfire liability risk. The increased reliance on fewer markets willing to underwrite these risks, often at elevated pricing and reduced capacity led to increased insurance costs for bushfire exposed clients, driven by reduced competition and heightened risk aversion.

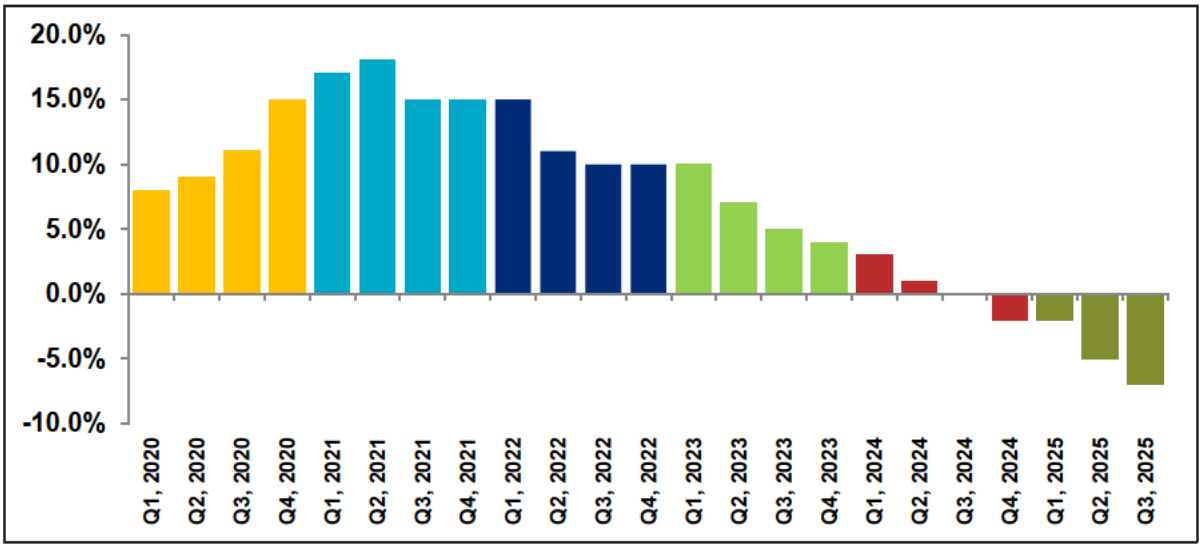
Overall, these capacity and pricing dynamics necessitated innovative structuring of insurance program to maintain coverage while managing cost escalation.



5.4.1. Premium rate trends

Following a sustained period of premium increases, year-on-year average rate changes finally turned the tide in the fourth quarter of 2024, when local liability premiums saw their first decrease in over 8 years. This trend continued into 2025, with average premium rates in the Pacific region decreasing by 2% in the first quarter, followed by 5% in the second quarter.

Figure 4: Year on Year Average Premium Rate Change



Source: Marsh Global Insurance Market Index Data

While premium rates across most sectors continue to stabilise, markets remain disciplined on their approach for high hazard industries such as bushfire risk, with a focus on ensuring technically adequate pricing for primary and lower layers of the program, along with maintaining sustainable policy terms and conditions.

The following provides an analysis of the impact of these market dynamics across the regulatory years within the 2021–2026 RCP and the results achieved by Powercor and United Energy.

5.4.2. Analysis of General Liability (including bushfire) Program Results over regulatory years within the 2021–2026 RCP

Our analysis of the General Liability (including bushfire) program results over the 2021–2026 regulatory period indicates that despite challenging and volatile market conditions, Powercor and United Energy successfully managed to moderate and ultimately reduce their insurance premiums over the 2021–2026 period through a strategic balance of capacity optimisation and proactive market engagement underpinned by sophisticated risk management initiatives.

This section further explores the key factors contributing to these outcomes.

[redacted]

[redacted]

[redacted]

Figure 5: Overview of Powercor and United Energy Program Capacity Flow over 2021-2026 RCP

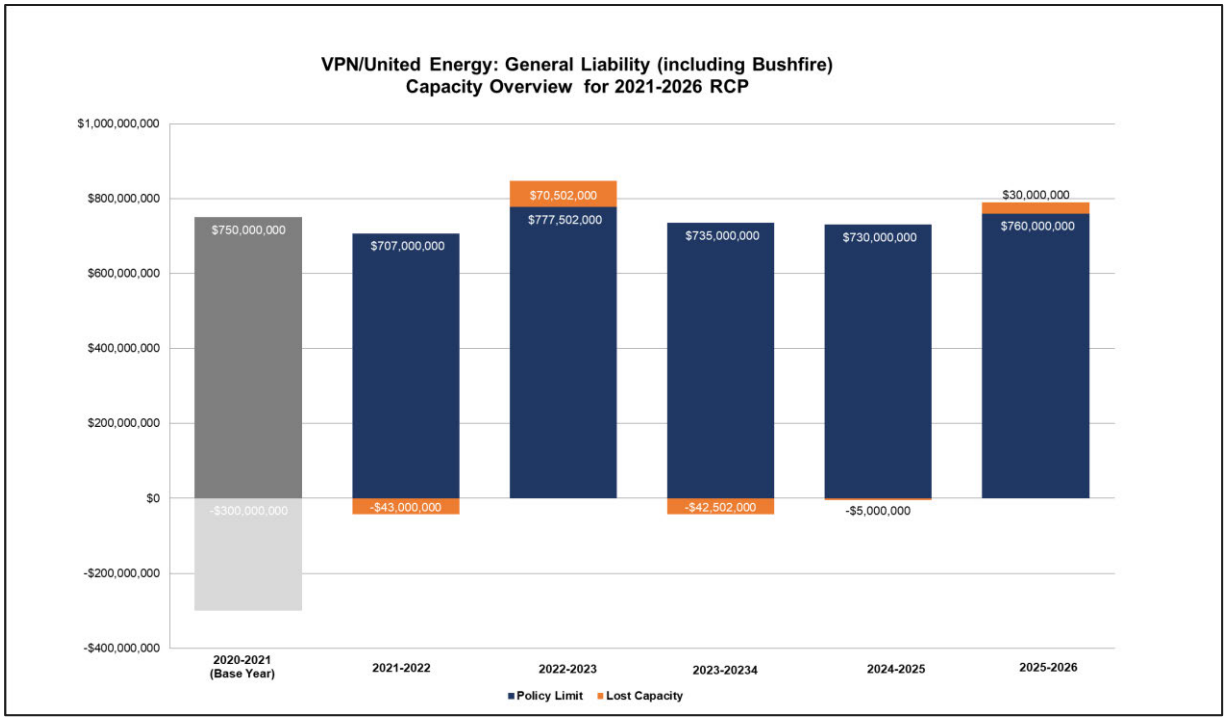
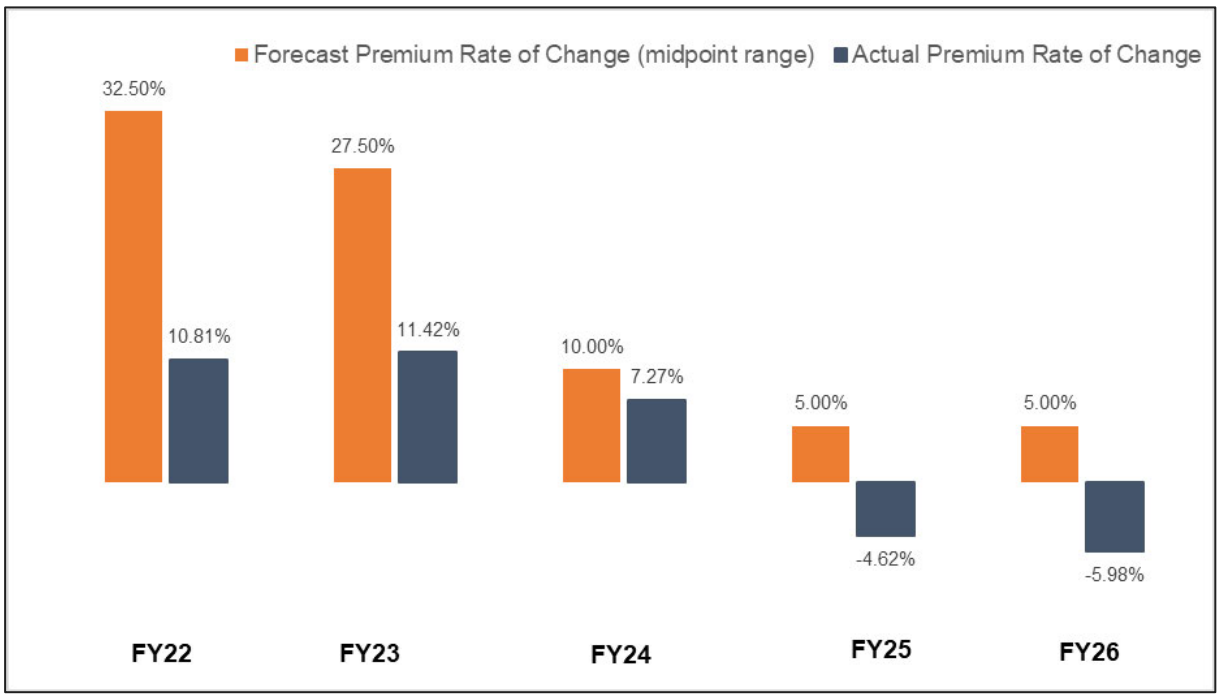


Figure 6: Overview of Powercor and United Energy Premium Rate Change over 2021-2026 RCP



5.5. Changes in insurance procurement or related activities by Powercor and United Energy that may have contributed to the observed premium reductions (17.1d)

[redacted]

[redacted]

5.6. Impact of the COVID-19 pandemic on insurance pricing and premiums during this period, if any (17.1a)

We note that at the time of producing this forecast, insurers were still grappling with the impact of COVID-19 on liability claims and the profitability of their respective portfolios.

The pandemic introduced unprecedented uncertainty, prompting many insurers to implement specific exclusions related to COVID-19 and to withdraw or limit certain coverages, in order to mitigate their exposure to potentially large and unpredictable losses.

Although the anticipated adverse impact of COVID-19 on liability insurance premiums prompted insurers to adopt a cautious approach, the impact of this was not substantial. This approach was aimed to balance risk exposure with financial sustainability amid an uncertain claims environment, contributing to a moderate upward adjustment in premium pricing over the 2021 – 2026 RCP.

Section 6

Analysis of Local and Global General Liability Insurance Markets (including Bushfire Liability)

The local and global general Liability (including Bushfire) insurance market is evolving through a period of moderation following several years of significant capacity recalibration (a process where insurers adjust the amount of risk capital they allocate to certain lines or layers of coverage, often reducing or redistributing capacity to better match risk exposures), increased attachment points (raising the threshold at which insurers begin to pay claims, meaning insurers cover losses only above higher loss amounts, thereby shifting more risk to the insured or lower layers), tighter terms, and improved pricing adequacy. This section outlines the key market dynamics shaping the current landscape driving underwriting trends and its impact on insurance pricing and premium costs for Powercor and United Energy.

6.1. Bushfire loss environment (17.2a)

The global landscape of bushfire-related losses continues to pose significant challenges for insurers and power utilities alike. Power utilities' exposure to bushfire / wildfire liabilities was thrown into the spotlight in early 2019, when, faced with class actions and potential liabilities of circa $30 billion in the wake of two devastating wildfire seasons, the Californian utility company PG&E entered into Chapter 11 bankruptcy.

Other notable bushfire events outside of Australia that have influenced underwriters' perception of bushfire risk include:

- 2025 Los Angeles wildfires: The January 2025 Los Angeles-area wildfires were among the most destructive and costly in history destroying more than 16,000 structures – many of them high-value properties.
- 2023 Canada wildfire season: Canada has been affected by an ongoing record-setting series of wildfires. These have affected all Canadian provinces and territories except Nunavut. The 2023 wildfire season was the worst in Canada's modern history.

- 2020 California wildfire season: a record-setting year of wildfires in California. By the end of the year, 9,917 fires had burned 4,397,809 acres, making 2020 one of the largest wildfire season recorded in California's modern history. The fires destroyed over 10,000 structures and cost over $12.079Bn (2020 USD) in damages;
- California Wildfires (2017-2018): The series of wildfires that struck California in 2017 and 2018 caused substantial insurance losses. The exact figures vary depending on the specific fires, but the overall insured losses for the 2017 California wildfire season were estimated to be over $12b;
- Fort McMurray Wildfire, Canada (2016): The devastating wildfire that occurred in Fort McMurray, Alberta, in May 2016 resulted in substantial insurance losses. The total insured losses were estimated to be around CAD 3.8bn; and
- Wine Country Fires, California (2017): The wildfires that swept through California's wine country in October 2017 caused substantial damage and insurance losses. The insured losses for the Wine Country Fires were estimated to be around $9bn.

While there have been a large number of bushfire losses over time in Australia, the largest bushfire events from an insurance perspective have included:

- Over the summer of 2019–20, Australia experienced one of the worst bushfires in recorded history. Hundreds of homes were lost; with fires impacting both NSW and QLD. Some 33 lives were lost, 3,000 homes destroyed and over 24 million hectares of forest and farmland were burnt,2 with the economic cost estimated at $10 billion. A class action lawsuit was also filed against an electricity distributor in NSW.
- Cudlee Creek and Yorktown fires (SA) in 2019. These fires burnt approximately 25,000 hectares including nearly 100 homes. A class action lawsuit against parties including the electricity distributor is on foot.
- St Patricks Day Fire (VIC) in 2018, which burnt 400 km2 of land in Victoria's south-west farmland, bushfire reserves and property. subsequent litigation action against Powercor resulted in settlement of nearly $50m.
- Blue Mountains Fire’s (NSW) in 2013 which destroyed more than 300 homes. Several class actions were brought against parties including the electricity distributor. Total settlements and insurance subrogations actions were circa $25m.

- The Black Saturday Fire (VIC) in 2009, which burnt 4,500 km^2 of land, killed 173 people and destroyed some 2,000 homes. Overall losses were A$1.7bn, and insured losses were A$1.07bn (in original values). Subsequent class action litigation culminated in the largest settlement in Australian history, with SP AusNet, the Department of Sustainability and Environment, and a line maintenance contractor agreeing to pay nearly A$500 million to victims of the Kilmore East Fire, without admission of liability.[3]
- The Ash Wednesday Fire (VIC/SA) in 1983, which burnt 5,200 km^2, destroyed some 2,400 homes and killed 75 people. Overall losses were A$335m, and insured losses were A$176m (in original values).
- The Tasmanian Black Tuesday Fires (TAS) in 1967, which burnt more than 2,600 km^2 , destroyed some 1,400 homes and killed 62 people. Overall losses were A$35m, and insured losses were A$14m (in original values).
- The Black Friday Fire (VIC) in 1939, which burnt almost 20,000 km^2, destroyed more than 700 homes and resulted in 71 fatalities.

The catastrophic 2019/2020 Australian bushfires also further intensified insurer concerns regarding bushfire liability exposure. For Powercor and United Energy, despite relatively benign recent bushfire seasons, the long-term uncertainty of climate-driven fire risk, and an increasingly litigious environment, will present ongoing challenges.

The Australian experience, particularly post-Black Saturday and the 2019/20 fires, illustrates the heightened liability exposure and financial volatility faced by insurers. The prominence of class actions exacerbates underwriting caution, placing pressure on the sustainability of programs such as those covering Powercor and United Energy.

[3] Bowman D (2012). Hot issue – bushfires, powerlines, and climate change. Retrieved from https://theconversation.com/hot-issue-bushfires-powerlines-and-climate-change-9383

6.2. Other factors influencing the general liability insurance market during the 2021 – 2026 RCP and anticipated for the 2026 – 2031 RCP (17.2b)

6.2.1. Availability of general liability (including bushfire) insurance (17.2i)

After years of insurers recalibrating their capacity, increasing attachment points, managing aggregation risks, improving pricing adequacy, and tightening terms and conditions, the market is now experiencing a gradual softening. This positive shift has attracted increased investment capital into the market, leading to greater capacity for insurers to underwrite risks. While softening of the (re)insurance market will take time to flow through, emerging new capacity and improvements in insurer appetite are generating renewed competition and easing upward pressure on premiums.

Despite the softening trend, insurers remain cautious on the pricing adequacy and sustainability of their portfolios, particularly for loss-impacted and heavily exposed risks, with increased information requirements and internal referrals. Underwriting scrutiny, particularly in the areas of contractor injury, cyber risks, polyfluoroalkyl substances (PFAs), and environmental, social, and governance (ESG), with varied results for higher hazard risk, remains a focus for insurers.

The vulnerability of electricity networks to bushfires has been demonstrated on many occasions, including the Canberra fires in 2003, Victorian fires in 2009, Blue Mountains fires in 2013 and the widespread fires in 2019–2020. Markets who write bushfire liability exposures tend to manage their portfolios year on year, highly driven by management and reinsurance market support. These insurers and reinsurers typically manage bushfire liability exposures through:

- Advanced risk assessment and underwriting, considering building materials, fire protection measures, and local fire history.
- Catastrophe modelling to estimate potential losses and optimise reinsurance purchasing.
- Portfolio management to monitor risk accumulation and perform stress testing.
- Risk mitigation incentives encouraging clients to adopt fire prevention measures.

Major bushfire events will continue to drive heightened awareness of climate impacts and potential for government involvement in reinsurance solutions, influencing commercial market pricing and appetite.

6.2.2. Climate Change and extreme weather events (17.2ii)

Underwriting scrutiny, particularly of climate related exposures, remains a focus for insurers. The devastating Californian Wildfires of January 2025 have further underscored the unpredictability and volatility of climate-related losses, prompting insurers to assess the measures clients are taking to mitigate these risks.

Historical California wildfire events showed significant subrogation potential when utilities were deemed responsible. While the Californian utilities have some level of protection through the California Wildfire Fund, partly funded by the utilities' investors, the increasing severity of these events will continue to have global implications for the insurance industry, which will continue to impact the Australian insurance market, as it reassesses risk and adapts to evolving climate-related challenges.

Australia's bushfire seasons are becoming longer, hotter, and more severe, driven by increasingly dry landscapes, extreme heat, and the worsening climate crisis. Although bushfire activity is pervasive across the vegetated areas of Australia, risk is most severe in southern areas where extreme fire weather and dry fuels can create catastrophic fires. There has been a significant increase in the number of extreme fire weather days, particularly in Victoria and New South Wales, and a lengthening of the fire season.[4]

6.2.3. Underwriter appetite and market competition (17.2iii)

6.2.3.1. Bushfire Capacity

The beginning of 2020 saw a significant change in markets' behaviour to underwriting bushfire liability exposure. At the time of developing the 2021-2026 RCP forecast, it was estimated that well over $500m in capacity had exited the Bushfire Liability sector since 2019, driven by a perception of inadequate pricing, increasing volatility and insufficient returns. Electricity Utility operators became price takers in the market, as insurers continued to revise their pricing models, with a much greater focus on 'pay-back' period.

[4] CSIRO (2018). State of the Climate 2018

The historical hard market vs. soft market cyclicality appears to have transitioned to a perpetual focus on covering loss cost trend and reducing portfolio volatility. Market conditions reflect the nuances of the individual risk and insurers remain disciplined on capacity deployment for high-hazard risk such as bushfire, focusing on their aggregated exposure across multiple insured entities and states. For Powercor and United Energy specifically, this discipline is influenced by the fact that their insurers also provide coverage to other power distribution and transmission companies, government organisations, and ancillary service providers, all of which carry bushfire risk. Through detailed analysis, each insurer has established maximum overall capacity limits they can offer, which further constrains the capacity available to insureds like Powercor and United Energy.

While emerging new capacity and broker lead facilities are continuing to alleviate the challenges faced by clients exposed to bushfire risk, the Powercor and United Energy General Liability (including Bushfire**)** program remains delicately poised as they look to future

renewals. Any unfavourable development in market appetite is likely to result in adverse changes to the insurance program.

6.2.3.2. Inflationary Claims Trends Affecting General Liability Underwriting

Insurers continue to be mindful of inflationary claims trends, particularly where the insured has high claims frequency and/or contractor injury exposures, such as in the food and beverage, retail and mining industries, especially those with a large contractor workforce.

The long tail nature of liability risks, combined with increasing claims inflation and an uptick in claims latency, frequency and severity, continue to drive the underwriting approach for many insurers. As a result, we are seeing from insurers a mix of retention structures such as different levels of deductibles tailored to their individual risk appetites. This can lead to higher out-of-pocket costs for insureds in the event of a claim. Additionally, insurers are applying greater scrutiny on pricing, meaning premiums are being more carefully calibrated to reflect the true cost of risk. For insureds, this often translates into either premium increases or more stringent terms and conditions.

6.2.4. The interest rate environment (17.2biv)

The impact of the COVID-19 pandemic and the proceeding recession severely disrupted the insurance market's investment returns. This period of low interest rates and volatile financial markets significantly compressed insurers' investment income, which historically has been a critical component of their profitability and Return on Equity (ROE).

In the years following the pandemic, insurers faced a dual challenge of elevated claims from pandemic-related losses and persistently low yields on traditional fixed-income investments. This environment pressured insurers to diversify their investment portfolios, increasingly allocating capital to alternative asset classes to enhance returns and manage risk.

However, the onset of soft market conditions, supported by improved underwriting results and a more stable investment environment compared to the immediate post-pandemic period, is driving increased insurer capacity in the bushfire liability sector, which is easing the upward pressure on premiums seen during previous RCPs.

6.2.5. Other factors including relevant regulatory considerations (17.2bv)

From a regulatory perspective, the AER guidance notes on insurance coverage pass through issued in July 2021 provides NSPs with greater clarity on what qualifies as a pass-through event amid the ongoing challenging risk transfer environment. The guidance further clarifies issues such as insurer insolvency, losses exceeding procured liability limits, and prudent procurement methodologies.

Although bushfire liability risk has a low inherent likelihood, its potential severity could be catastrophic, potentially resulting in exposures exceeding Powercor and United Energy's current limits of liability. Even if additional insurance coverage beyond these limits were sought, market capacity and preferred retention levels are not always available, and the cost of such insurance can be prohibitive.

We understand that losses relating to bushfire liability that exceed applicable liability limits may qualify for cost pass-through as an insurance cap event, where those losses are in excess of 1% of a distribution business's annual revenue allowance for a regulatory year in which those losses are incurred.

For Powercor and United Energy, the General Liability insurance limit is primarily driven by potential worst-case bushfire scenarios. Other non-bushfire risks are generally considered to be well within the current limit of liability, and, as such, the likelihood of a General Liability claim exceeding the current limit of liability is considered to be remote.

[redacted]

[5] Victoria Power Networks Pty Ltd & United Energy Ltd, **Bushfire Liability Review, Marsh Report,** August 2025

[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]
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	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

[redacted]

[redacted]

Section 7

Insurance Premium Forecast for the 2026 – 2031 RCP

7.1. Driver of premium forecast (17.3a)

While macro trends impacting the insurance industry continue to drive insurer behaviours and appetite, the softening of the insurance market, continuing in 2025, has alleviated the long-standing constraints in sourcing new capacity for bushfire risk. However, the ongoing impact of climate change and extreme weather events will continue to contribute to an undertone of uncertainty in the market. With expectations for favourable conditions to persist in the immediate term, and in the absence of any catastrophic event that could significantly impact the availability of capacity for bushfire liability insurance, we do not anticipate any material change to future premiums for the next RCP, given Marsh's understanding and knowledge of Powercor and United Energy's specific circumstances.

This outlook is primarily driven by heightened competition and a stable environment, assuming global bushfire / wildfire claims activity remains relatively benign. In contrast, 2021-2026 RCP forecasts were developed at a time of dynamism, when insurers continued to scrutinise and revise their pricing models, with a much greater focus on adequacy of 'pay-back' period.

Forecast developed for 2026-2031 RCP reflects a moderation in the rate of premium change, given prevailing market conditions, and can be considered reasonable.

7.2. Methodology applied to calculate the forecast premiums (17.3b)

When developing the forecast insurance premiums for Powercor and United Energy for the 2026–2031 RCP, we have considered various factors that influence premium levels, including:

- The specific risk profiles of Powercor and United Energy, and how these relate to market changes.

- Historical premium costs and the circumstances influencing any variations during the current RCP.
- Observations of current market conditions and anticipated future trends, including changes in exposure and premium rates.
- Historical market factors such as insurer changes, insurer profit margins, and industry claims experience, particularly where premium trends cannot be attributed to other factors.

Forecasting insurance premiums over a multi-year horizon such as 2026-2031 involves considerable uncertainty and variability. This is primarily due to the dynamic nature of insurance markets, particularly for Bushfire Risks, which are influenced by a range of factors including global economic conditions, claims experience, regulatory changes, natural disaster frequency and severity, and broader risk appetite among insurers.

Whilst we have made a concerted effort to predict the commercial insurance terms during this forecast period, given the challenges inherent in long-term insurance premium forecasting, it is extremely difficult to have a high level of certainty over the 2026-2031 RCP on availability of capacity for bushfire liability risk notwithstanding current market conditions.

7.3. Assumptions made when preparing the forecasts (17.3c)

The General Liability (including Bushfire) program premium forecast has been developed based on the following:

- [redacted]
- **FY26** has been selected for use as the base year for the forecast as it reflects the most relevant and up-to-date information at the time of the forecast;
- The forecast costs are expressed in **$nominal** based on expected premium rate change for the next RCP;
- No allowance has been made for exposure growth in the next regulatory period;
- VPN, as the parent company, for Powercor and CitiPower, procure General Liability insurance program under a group purchase arrangement, with United Energy and

SAPN. Accordingly, our estimates assume no change in the future premium allocation approach applicable to the (shared) Combined Liability program procured amongst VPN, United Energy and SAPN;

- Includes allowance for statutory charges and associated fees but excluding GST as applicable at the date of this report;
- Subject to no material changes to Powercor and United Energy's risk profiles or insurance program structures;
- Marsh assumes no material deterioration in Powercor and United Energy's loss record;

7.4. Summary of cover

[redacted]

[redacted]

[redacted] [redacted]

[redacted]

- [redacted]
- [redacted]
- [redacted]

[redacted]

[redacted]

[redacted]

7.5. Results

7.5.1. Table 1 – Powercor and United Energy's Forecast Annual General Liability (including Bushfire) Insurance Premium Rate % Movement 2026-2031

Year	FY26 (Actuals)	FY27	FY28	FY29	FY30	FY31
General Liability (including Bushfire) Program YoY (%)	-5.60%	0.00%	2.50%	2.50%	5.00%	5.00%

Therefore, allowing for stamp duty and associated fees, excluding GST, Powercor and United Energy's projected general liability insurance premiums are as shown in Table 2 below

7.5.2. Table 2 – Powercor and United Energy Forecast Annual General Liability (including Bushfire) Insurance Premiums 2026-2031 RCP

Year	FY26 (Actuals)	FY27	FY28	FY29	FY30	FY31
General Liability (including Bushfire) Program **(Powercor) ($000)**	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
General Liability (including Bushfire) Program **(United Energy) ($000)**	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

Section 8

Hypothetical Premium cost if maintaining the same level of coverage as at the beginning of the 2021 – 2026 RCP

8.1. Methodology and Approach

[redacted] The primary objective of this analysis is to provide a reasoned and evidence-based estimate of premium costs that would have been incurred under a static coverage and program structure, thereby enabling a clearer understanding of premium cost evolution over time.

In undertaking this analysis, we have considered the following key factors:

- Historical variation in exposure;
- Historical claims experience;
- The basis of procurement and program structure changes that contributed to premium costs for the 2021 – 2026 RCP that were lower than expected;
- Other historical market factors (e.g. changes in insurers, changes in insurer profit margins, industry claims experience, etc.) to the extent that historical premium trends are observed which cannot be directly attributable to other factors.

It is important to acknowledge the limitations and probabilistic nature of this analysis, further complicated by following factors:

- **Market Dynamics** - To demonstrate this point, specific to the Powercor and United Energy exposure, there were only 9 insurers in Australia and 13 internationally that were willing to write the Powercor and United Energy risk at the 2021-2022 renewal. Of these 21 insurers, over half of these had reduced the capacity they offered to Powercor and United Energy in preceding renewals;

- **Data limitations and variability:** Historical data are influenced by exceptional events, making it difficult to isolate causal factors with precision;
- **Complex interactions between factors:** The interplay between claims experience, market conditions, program structures, and procurement strategies creates a complex environment where attributing premium changes to individual factors is challenging;
- **Probabilistic nature of insurance pricing:** Premium setting inherently involves actuarial judgment and probabilistic modelling, reflecting uncertainty and the need to balance risk transfer with financial sustainability.

Accordingly, these results should be interpreted as indicative rather than definitive, recognising the inherent uncertainties that influence actual outcomes.

Market Approach and Pricing Benchmarks

[redacted]

This pricing range has been adopted as a benchmark to establish hypothetical premium costs for the 2021-2022 period and used as the foundation for developing premium estimates for subsequent years within the 2021-2026 RCP. This approach assumes the cost of capital required to maintain the [redacted] driven by the observed market pricing at each renewal period, irrespective of its attachment point within the program. This means that the premium assumptions reflect genuine market sentiment and pricing trends observed at each renewal and does not differentiate or adjust the pricing based on where within the overall insurance

program the coverage sits—known as the attachment point. This reflects a conservative stance, recognising the premium cost implications of securing capacity in a punitive pricing environment.

In projecting these premiums, careful consideration has been given for the need to secure new capacity from 2023 onwards for Powercor and United Energy to maintain the same level of coverage as at the beginning of the 2021 – 2026 RCP.

8.2. Results

8.2.1. Table 3 – Powercor and United Energy Hypothetical Premiums maintaining the same level of coverage as at the beginning of the 2021 – 2026 RCP

Includes allowance for statutory charges and associated fees, but excluding GST.

Year	FY21 (Actuals)	FY22	FY23	FY24	FY25	FY26
General Liability (including Bushfire) Program **(Powercor) ($000)**	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
General Liability (including Bushfire) Program **(United Energy) ($000)**	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

Section 9

Declaration

I have made all the enquiries that I believe are desirable and appropriate. No matters of significance that I regard as relevant have, to my knowledge, been withheld

Signed

Ritesh Singh
Managing Principal

Marsh Pty Ltd

Appendix A

Letter of Engagement

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AUM/1302116099.1

25 November 2025

Powercor and United Energy - Letter of Engagement for Marsh – Report on forecast insurance costs for the 2026 – 2031 regulatory control period

1 We act for Powercor Australia Ltd (**Powercor**) and United Energy Distribution Pty Ltd (**United Energy**).

2 As further explained below, Powercor and United Energy are currently undergoing their 'regulatory resets' for the regulatory control period (RCP) commencing on 1 July 2026 and ending on 30 June 2031 (**2026 – 2031 RCP**), and the Australian Energy Regulator (**AER**) has recently released its draft decisions on the distribution determinations for Powercor and United Energy for the RCP (**Draft Decisions**). As part of its Draft Decisions, the AER has set out its proposed approach to assessing Powercor's and United Energy's operating expenditure (**opex**), including insurance-related opex, for the 2026 – 2031 RCP.

3 Powercor and United Energy have instructed us to engage you to prepare a report regarding their forecast insurance premiums for the 2026 – 2031 RCP, for the purpose of informing their response to the AER's Draft Decisions. This letter governs the scope of your engagement. In particular, you are instructed to prepare a report that assesses local and global general liability insurance markets as they relate to electricity network companies, and provides a forecast of Powercor's and United Energy's liability insurance premiums for each insurance year of the 2026 – 2031 RCP, having regard to your expert knowledge of relevant insurance markets, and Powercor's and United Energy's insurance policy coverage.

Background

2026 – 2031 Regulatory Reset

4 Powercor and United Energy are subject to economic regulation under Chapter 6 of the National Electricity Rules (**NER**). Every five years, the AER makes distribution determinations for Powercor and United Energy for the upcoming RCP, which (among other things) determine Powercor's and United Energy's required revenues for the provision of their regulated services (referred to as 'standard control services'), which they can recover from electricity consumers for the provision of those services during that RCP. Powercor and United Energy are nearing the end of the current RCP which commenced on 1 July 2021 and ends on 30 June 2026 (**2021 – 2026 RCP**), and are currently engaging with the AER in the regulatory reset process for the upcoming 2026 – 2031 RCP.

5 At a high level, the regulatory reset process for Powercor and United Energy for the 2026 – 2031 RCP involves the following key steps:

5.1 *Submission of regulatory proposals* - Powercor and United Energy each submitted a regulatory proposal to the AER on 31 January 2025, which contained (among other matters) the proposed total revenue that they require to provide standard control services, and seek to recover from consumers for the provision of those services, during the forthcoming RCP (referred to as the 'total revenue requirement'). The proposed total revenue requirement is determined using a building block approach, under which the building blocks include, relevantly, opex incurred in the provision of standard control services.

5.2 *Making of draft decisions by the AER* - On 30 September 2025, the AER released its Draft Decisions on the distribution determinations for Powercor and United Energy for the 2026 – 2031 RCP. Relevantly, the AER's Draft Decisions included draft 'constituent decisions' regarding Powercor's and United Energy's proposed forecast opex (including forecast insurance-related opex) for the 2026 – 2031 RCP. The AER did not accept Powercor's and United Energy's proposed total forecast opex, rather, it set out its own opex forecasts.

5.3 *Submission of revised regulatory proposals* - No more than 45 business days after the AER publishes its Draft Decisions, Powercor and United Energy will each submit a revised regulatory proposal to the AER. The revised regulatory proposals may reflect or respond to the AER's feedback provided in the Draft Decisions, including through the proposal of updated opex forecasts. The revised regulatory proposals are due by 1 December 2025.

5.4 *Making of distribution determinations by AER* - The AER is required to publish its final distribution determinations for Powercor and United Energy for the 2026 – 2031 RCP by 30 April 2026.

6 The AER has an established 'base-step-trend' approach to forecasting opex, under which: [1]

6.1 *'base'* - actual opex incurred in a recent year (referred to respectively as 'base opex' and the 'base year') is adopted as a starting point (provided the AER is satisfied that the base opex is efficient and prudent), and adjusted to provide an estimate of opex for the final year of the RCP, address any non-recurring opex and exclude any actual opex for opex categories for which opex is forecast or recovered in another manner;

6.2 *'trend'* - the estimated final year opex is then 'trended' forward to the upcoming RCP by applying the 'rate of change' to account for the forecast growth in output, prices and productivity; and

6.3 *'step'* - step changes in prudent and efficient opex, resulting from drivers such as changes in regulatory obligations or efficient capex/opex trade-offs, are then included in the opex forecast.

Powercor and United Energy's insurance-related opex

2021 – 2026 RCP

7 In their regulatory proposals for the 2021 – 2026 RCP, Powercor and United Energy included a 'step change' for insurance premiums, to reflect, in particular, forecast increases in bushfire insurance prices and, thus, costs in that RCP due to global insurance market conditions. They noted that (then) recent major events with significant consequences for bushfire risk included:[2]

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1 AER, *Better Resets Handbook, Towards Consumer Centric Network Proposals*, July 2024, page 26.

2 Powercor, *Regulatory Proposal 2021 – 2026*, January 2020, page 117; United Energy, *Regulatory Proposal 2021 – 2026*, January 2020, page 145.

7.1 the 2018 wildfires in Camp and Woolsey, California, with $24 billion damage;

7.2 the 2017 wildfires in Tubbs, Atlas and Thomas, California, with $17 billion damage; and

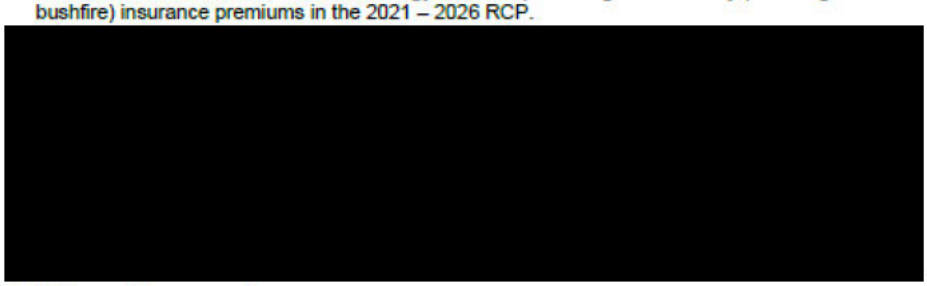
7.3 the 2016 wildfires in Fort McMurray, Canada, with $4 billion damage.

8 We have attached extracts of the relevant discussion from Powercor and United Energy's regulatory proposals and revised regulatory proposals, and the AER's draft and final decisions on Powercor and United Energy's distribution determinations for the 2021 – 2026 RCP.

9 In their regulatory proposals, Powercor and United Energy referred to a report from Marsh, which provided an overview of the global insurance market and the impact of capacity withdrawal for bushfire liability risk.[3] This report is provided as Appendix One.

The AER ultimately included a step change of $67.7 million ($2020-2021) in its distribution determination for Powercor, and a step change for $28.9 million ($2020-2021) in its distribution determination for United Energy, for the 2021 – 2026 RCP.

10 However, the forecast increase in insurance pricing and premium costs in the 2021 – 2026 did not eventuate, with the result that Powercor and United Energy will ultimately significantly underspend on insurance opex relative to the forecast insurance opex included in their 2021 - 2026 required revenues allowed by the AER in their distribution determinations. The table below sets out Powercor and United Energy's actual spend on general liability (including bushfire) insurance premiums in the 2021 – 2026 RCP.



2026 – 2031 regulatory proposals

11 Neither Powercor nor United Energy proposed a step change for insurance premiums in their regulatory proposal for the 2026 – 2031 RCP, noting in their regulatory proposals in respect of insurance-related opex:[4]

> The cost of insurance premiums has been increasing over time, driven by factors such as bushfire risk and other natural disasters. Our insurance premiums are expected to increase further in the short-term, however, there remains uncertainty about medium-term projections (particularly given recent events in California, and the international nature of the insurance market).

12 We have attached an extract of the relevant discussion from the regulatory proposals to this letter.

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3 Marsh, *Liability Market and Claims Overview, Victoria Power Networks and United Energy*, 29 October 2019. An updated report was provided along with Powercor and United Energy's revised regulatory proposals: Marsh, *Combined Liability Insurance 2020 – 2026 Victorian Power Networks and United Energy*, 23 November 2020.

4 Powercor, *Regulatory Proposal 2026 – 2031, Part B: Revenue & Expenditure Forecasts*, January 2025, page 96; United Energy, *Regulatory Proposal 2026 – 2031, Part B: Revenue & Expenditure Forecasts*, January 20205, page 81.

13 Powercor and United Energy followed the AER's established 'base-step-trend' approach to forecasting their operating expenditure (discussed above).

14 As Powercor and United Energy did not propose a step change for insurance premiums, their forecast insurance costs for the 2026 – 2031 RCP included in their proposed forecast total opex are equal to their actual insurance-related opex in their base year (being the 2024/25 regulatory year), adjusted to provide an estimate of opex for the final year of the RCP and exclude any actual opex for opex categories for which opex is forecast or recovered in another manner, and then trended forward to the 2026 – 2031 RCP by applying the rate of change. The table below shows Powercor and United Energy's requested insurance opex allowance for the 2026 – 2031 RCP.

AER Draft Decisions for 2026 – 2031

15 In its Draft Decisions for Powercor and United Energy, the AER:

15.1 made an additional adjustment to base year opex, which had not been proposed by Powercor or United Energy, to include *'a base year non-recurrent efficiency gain … relating to the insurance premiums step change [the AER] approved in the current [i.e. 2021 – 2026] RCP'*, in the amount of $71.6 million ($ 2025/26) for Powercor and $20.7 million ($ 2025/26) for United Energy, which *'adds the difference between the forecast of insurance premiums reflected in the approved step change and actual insurance premiums in the base year'* for each of the five years of the 2026 – 2031 RCP;[5] and

15.2 added a negative step change for insurance premiums, in the amount of -$76.4 million ($ 2025/26) for Powercor and -$22.6 million ($ 2025/26) for United Energy, to 'ensure that the overestimated insurance premiums included in forecast opex for the current 2021 – 2026 RCP don't impact forecast opex for the 2026 – 2031 RCP'.[6]

15.3 The AER stated that:

> *'The negative step change, calculated as the difference between the final year [insurance] premium allowance and the actual [insurance] premium, removes the expected over forecasting of insurance premiums in 2025 – 2025, thus ensuring this over forecasting doesn't continue into the 2026 – 2031 period. It then sets the non-recurrent efficiency gain in the base year equal to the insurance underspend in the base year. Together, this results in:*
>
> - *Forecast opex equal to that required by a prudent operator*
> - *[Powercor/United Energy] returning all the 2021 – 2026 insurance premium underspends through EBSS decrements 6 years later (treating the underspends as non-recurrent efficiency gains). [Powercor/United Energy] retains its share of the insurance premiums underspend as it retains the time value of holding the underspends for 6 years.'*

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5 AER, *Attachment 3 – Operating Expenditure – Draft Decision – Powercor distribution determination 2026 – 2031*, 30 September 2025, page 3; AER, *Attachment 3 – Operating Expenditure – Draft Decision – United Energy distribution determination 2026 – 2031*, 30 September 2025, page 3.

6 AER, *Attachment 3 – Operating Expenditure – Draft Decision – Powercor distribution determination 2026 – 2031*, 30 September 2025, page 35.

16 To assist Powercor and United Energy in considering and responding to the AER's Draft Decisions, we are engaging you to prepare a report in respect of their forecast insurance premiums for the 2026 – 2031 RCP.

Scope of work and deliverables

Scope of work

17 You are instructed to prepare a report that addresses each of the following matters:

17.1 why insurance pricing, and Powercor's and United Energy's actual insurance premiums, during the 2021 – 2026 RCP were lower than expected, and forecast, respectively, at the time the AER made their distribution determinations for that period, including in particular:

(a) the impact that the COVID-19 pandemic had on insurance pricing and premiums during the 2021 – 2026 RCP (if any);

(b) any other factors that contributed to lower insurance pricing and premiums in the 2021 – 2026 RCP than were expected, and forecast, respectively, at the time the AER made their distribution determinations for that period;

(c) the duration of any impact of these events on insurance premiums, in particular, whether the impact were be felt in all, or only some, regulatory years of the 2021 – 2026 RCP and, if only some, which regulatory years, and the extent to which these events, and their resultant impact on insurance pricing and premiums, will influence insurance pricing and premiums in the 2026 – 2031 RCP;

(d) any changes in Powercor and United Energy's insurance procurement or other activities that may have contributed to their insurance premiums being lower than expected, and forecast, respectively, at the time the AER made their distribution determinations for that period; and

17.2 local and global general liability insurance markets in which Australian electricity network businesses acquire general liability insurance, including but not limited to:

(a) claims activity globally for bushfire/wildfire liability and how this impacts on general liability insurance pricing and premium costs for Australian electricity network businesses; and

(b) other factors that have had in the 2021 -2026 RCP, and/or may have during the 2026 – 2031 RCP, influence on the general liability insurance markets, and general liability insurance pricing and premium costs for electricity network companies, for example:

(i) the availability of general liability (including bushfire) insurance;

(ii) climate change and extreme weather events;

(iii) underwriter appetite and competition;

(iv) the interest rate environment;

(v) any relevant regulatory considerations; and

17.3 forecast insurance premiums (including, but not limited to, general liability insurance) for Powercor and United Energy for each regulatory year of the 2026 – 2031 RCP, including:

(a) the drivers of those forecast premiums;

(b) the methodology applied to calculate the forecast premiums; and

(c) any assumptions you make when preparing the forecasts.

18 We understand that Victoria Power Networks Pty Ltd (**VPN**), as their parent company, typically acquires insurance for Powercor and CitiPower Pty Ltd (**CitiPower**). In your report, please include forecasts of general liability insurance premiums for Powercor specifically, rather than VPN. Please use the following allocation factors:

[redacted]

Deliverables and indicative timeframe

19 You are to deliver the report described above at paragraph 17, to DLA Piper, by 26 November 2025.

20 In providing your report, you should:

20.1 acknowledge that any opinions expressed in your report are based wholly or substantially on specialised knowledge arising from your training, study or experience;

20.2 identify the questions you were asked to address;

20.3 include a curriculum vitae setting out full details of your relevant qualifications, experience and expertise;

20.4 include a copy of these instructions;

20.5 set out a list of all documents that you have relied upon in preparing your report;

20.6 expressly state all assumptions that you have made in preparing the report and the reasons for making those assumptions;

20.7 give reasons for each opinion that you express in the report;

20.8 qualify any opinion expressed in the report, if you consider your report may be incomplete or inaccurate without the qualification;

20.9 qualify any opinion expressed in the report, if you are unable to form a conclusive opinion because of insufficient research, insufficient information, or for any other reason;

20.10 at the end of the report, include a declaration in the following terms:

'I have made all the enquiries that I believe are desirable and appropriate. No matters of significance that I regard as relevant have, to my knowledge, been withheld.'

21 If you change your opinion after giving us the report in this matter, you must provide a supplementary report.

22 Please feel free to contact us to discuss. We look forward to working with you.

Yours sincerely

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DLA Piper Australia

Appendix B

Experience and Expertise

B.1. Credentials

Name	Experience	Qualification
Ritesh Singh Managing Principal – Energy and Power	Ritesh has over 15 years of experience working for both insurers and brokers. Prior to joining the Marsh, Ritesh had spent 15 years with Aon, spending time in Fiji, Sydney, Singapore and London. Ritesh has assisted in developing insurance and risk financing programs for large corporate clients and has vast experience in leading design and delivery of risk financing solutions for complex risk including bushfire liability.	• Graduate Diploma of Legal Practice • Bachelor of Law (LLB) • Diploma of Financial Services (Insurance Broking)
Kartina Markey Energy & Power Practice Leader, VIC	Over her 17 years in the industry, Katrina has focussed on working with risk managed and corporate clients across multiple sectors including energy and power, construction, mining, manufacturing and retail. Katrina is currently the Energy & Power Leader for Victoria, servicing a number of large energy and power clients, and providing placement and specialist expertise on renewable energy projects and portfolios to the national Energy & Power practice. Katrina is also the Program Manager of the Utility Industry Liability Program managing the program of 40 clients and	• Diploma of Financial Services (Insurance Broking) • Diploma of Accounting

Name	Experience	Qualification
	ensuring each client is considered on its merits. She is an advocate for the individual clients in the program ensuring coverage is fit for purpose and market leading and the terms are competitive.	
Tom Burrows Principal, Energy & Power	Tom has 10 years' experience in the insurance industry and has worked with clients across many sectors including energy and power, construction, transport and education . Prior to joining Marsh in 2023 Tom worked at another international broker specialising in large corporate placements and client services in both Adelaide and Melbourne. Tom is currently a Principal in the Energy & Power team in Victoria, servicing a number of large energy and power clients and providing placement and specialist expertise on utilities and renewable energy projects/operational programs.	• Bachelor of Business (Marketing) • ASIC RG146 Tier 1 Insurance Broking Compliance
Simon Gaunt Casualty Placement Leader	Simon has been in the insurance industry with Marsh Australia for more than 30 years. During this time he has handled a wide selection of corporate accounts across various industries and sectors. Simon has performed placement and servicing for a number of key accounts, specialising in energy and power, and has assisted client such as Victorian Water Corporations,	• Australian & New Zealand Institute of Insurance & Finance (Fellow) • Graduate Diploma, Insurance • Bachelor, Commerce

Name	Experience	Qualification
	Hydro Tasmania, Victoria Power Networks, South Australia Power Networks, Powerlink and over 40 other utilities insured via UILP.	
David Brumpton Strategic Client Director, South Asia	David has over 37 years' experience in the insurance industry mainly in client relationship management and designing risk financing programs across a diverse range of clients in the Energy & Power, Construction and Infrastructure sectors. He has a deep industry experience across a variety of clients in the Energy & Power sector and in addition to his role as Client Executive for some of Australia's largest clients, he has previously held the position of Manager, Risk Management at SA Power Networks. David also has specific expertise with electricity and gas transmission and distribution exposures having worked with Victoria Power Networks, Western Power, Horizon Power, ActewAGL, and Australian Gas Infrastructure Group	• Australian and New Zealand Institute of Insurance and Finance (Senior Associate) • Graduate Diploma of Financial Services (Insurance) • OIL Technical Accreditation
Mike Nield Natural Catastrophe Leader	Mike has worked across a range of industry sectors across Australia and New Zealand. He specialises in NatCat loss modelling, NatCat exposure analysis; probable maximum loss and maximum foreseeable loss studies, and on-site NatCat risk audits as well as helping	• Master of Science (MSc), Hazards and Disaster Management • Bachelor of Science (BSc), Geography

Name	Experience	Qualification
	clients strategically manage their NatCat exposure through the provision of advices around best practice mitigation to improve asset resilience. Prior to joining Marsh, Mike worked in NatCat risk management roles for over 12 years. He was specifically involved in client risk identification and reduction programs, which included various loss modelling analyses (e.g. NatCat loss modelling, site-specific probable maximum loss, maximum foreseeable loss and business interruption estimates) for NatCat events as well as conducting detailed on-site risk audits to further quantify exposure and propose cost-effective solutions to reduce the overall risk.	

Appendix C

Marsh Internal Data

C.1. Attached

1. Victorian Power Networks, United Energy & South Australian Power Networks 2021/22 Liability Post Renewal Report, November 2021
2. Victorian Power Networks, United Energy & South Australian Power Networks 2022/23 Liability Post Renewal Report, November 2022
3. Victorian Power Networks, United Energy & South Australian Power Networks 2023/24 Liability Post Renewal Report, December 2023
4. Victorian Power Networks, United Energy & South Australian Power Networks 2024/25 Liability Post Renewal Report, January 2025
5. Victoria Power Networks Pty Ltd & United Energy Ltd, Bushfire Liability Review, Marsh Report, August 2025
6. The Burning Issue: Managing Wildfire Risk, Marsh McLennan Insights, 2019

Appendix D

Marsh Insurance Reports

D.1. Attached

1) Australian Mid-Year Insurance Market Update_2021
2) Australian Mid- Year Insurance Market Update_2023
3) Australian Mid-Year Insurance Market Update_2024
4) Australian Mid-Year Insurance Market Update_2025

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