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MARSH



**Motor Fleet Insurance
5 Year Premium Estimates**

Powerlink Queensland

21 April 2011

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Introduction & General Information

This report is intended to provide a summary of premium estimates for Powerlinks' Motor Fleet Insurance

Please contact your Client Executive, Gerard O'Kelly, or a member of the Powerlink service team, if you have any questions regarding the premium estimates provided.

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Premium Estimates

For insurance purpose, a motor fleet comprises three or more vehicles owned by a company for use by the company. [REDACTED]

Powerlink, historically, has an acceptable insurance record with respect to their motor fleet.

Hardening Markets and Natural Catastrophes

The recent floods in Queensland and other natural catastrophes in the region (such as the NZ earthquake and to a lesser extent the Japanese Earthquake/Tsunami) will have an effect on premium rates for motor insurance over the next 3 to 5 years, notwithstanding Powerlink's acceptable insurance record.

In addition, the insurance market in Australia has been in what is generally considered a 'soft market' for unprecedented period and is entirely possible that the size of these losses will also cause insurers to increase premium rates as the insurance cycle moves from soft to hard.

Premium Estimates

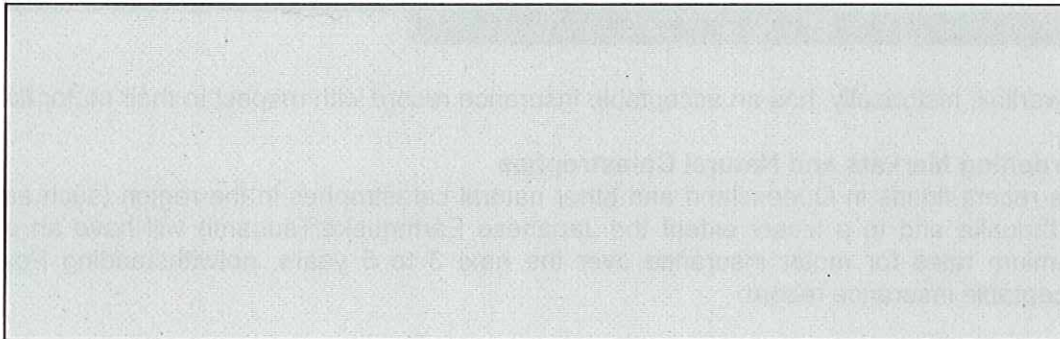
We understand that as a result of the floods in Queensland, Powerlink have suffered some damage to vehicles [REDACTED]. More generally, there has been a number of motor losses in the Brisbane region which is estimated at upwards of 11,000 vehicles written off. The magnitude of any premium changes is difficult to anticipate at this stage, it will depend greatly on the level of reinsurance purchased by insurers and also if the insurers view of this flood. However, it is fair to assume that Powerlink will face an increase in premium for 2012 and beyond. We estimate that the impact in 2012 will be circa 5% to 25% premium increases. On top of this, insurers will likely expect to receive annual CPI increases. For the purpose of calculations we have assumed that for the high range that premiums have initially increased by 25% but that over the next 5 years this gradually decreases to an increase of 10%. For the low range we have assumed a CPI of 2.5% and fleet growth of 2.5%. The expected range is what we believe is an appropriate forecast of premiums for Powerlink.

The percentage changes over the 5 year period for our high and low range estimates are as follows:

Year	Low Range	Expected Range	High Range
2012	5%	15%	25%
2013	5%	14%	23%
2014	5%	11.5%	18%
2015	5%	7.5%	10%
2016	5%	7.5%	10%
2017	5%	7.5%	10%

Total Expected Premium

After analysing the possible premiums that Powerlink may incur in respect of Motor Fleet over the next five years we have detailed below the Total Expected Premium including stamp duty (but exclusive of GST) that we believe you should apply in your regulatory application.



Notes / Assumptions

- All premiums above are in AUD
- Powerlink have nominated a fleet growth factor of 2.5% per annum. We note that this forecast is substantially below the 5 year average fleet growth (2006-2011). Vehicle numbers for 2011 are 401.
- The forecast factors a CPI increase of 2.5% per annum for premiums
- These premiums are estimates only. They are based on our experience as insurance brokers and actual premiums may be higher or lower than forecasted
- The estimated premiums are based on the assumption that there are no further major losses suffered by Powerlink and that there are no further major natural catastrophes in the region

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