

Commerce Commission

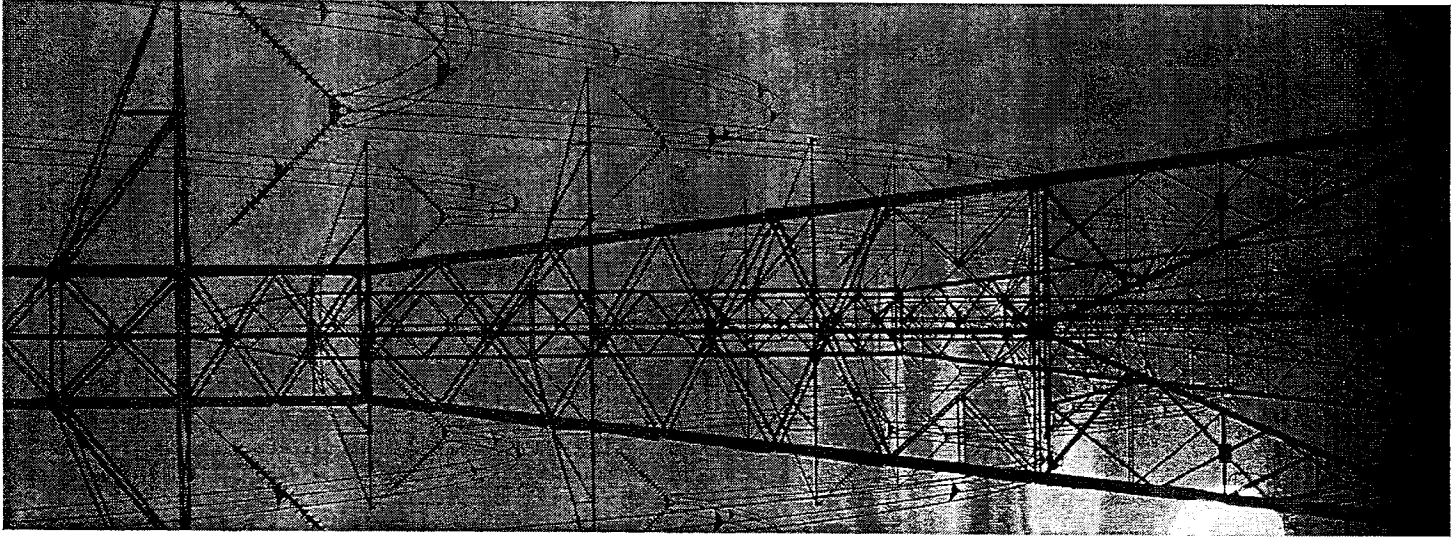
Review of the Information Disclosure Regime

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18 March 2005



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Insurance Market

- **Global marketplace**
- **Dominated by overseas companies**
- **Reactive to major events**
- **Market more restrictive**



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Electricity Lines Companies

- **Certain risks no longer insurable**
 - **Terrorism**
 - **Loss or damage to network assets**
- **Exposure to damage to key assets and loss of revenue as a result of catastrophe events**
 - **Earthquake**
 - **Volcanic eruption**
 - **Cyclones, floods, tsunami**



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Uninsured Assets

- **Total ODV for lines companies**
 - **\$5.8bn**
- **Total ODV uninsured**
 - **@\$5.1bn**
- **Equates to nearly 90%**
- **In RC terms it is \$9.5bn**



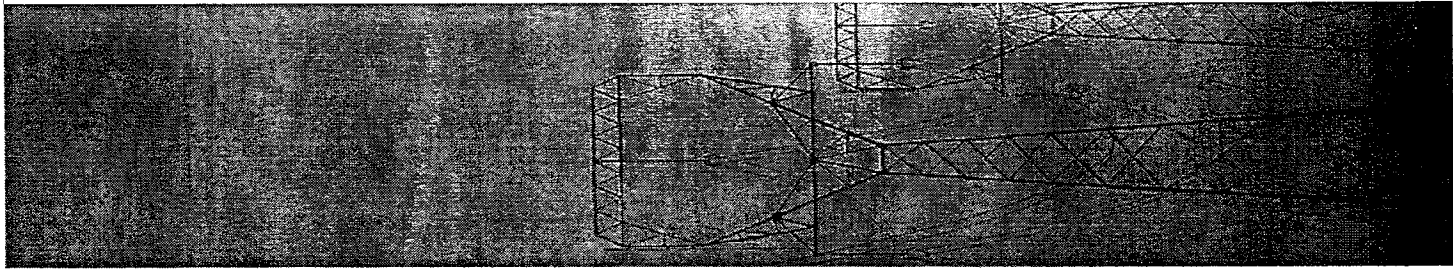
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Catastrophe Events

- **Climate is changing**
- **Extreme events becoming more commonplace**
- **NZ is not immune**
- **Lines companies' assets are exposed**
- **Mostly self insured**



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Self Insurance

- **No cost to the business - until an 'event' happens that is**
- **Owners carry the risk**
- **Restoration costs must be funded by the business**
- **Not government guaranteed**
- **Limited access to additional capital**



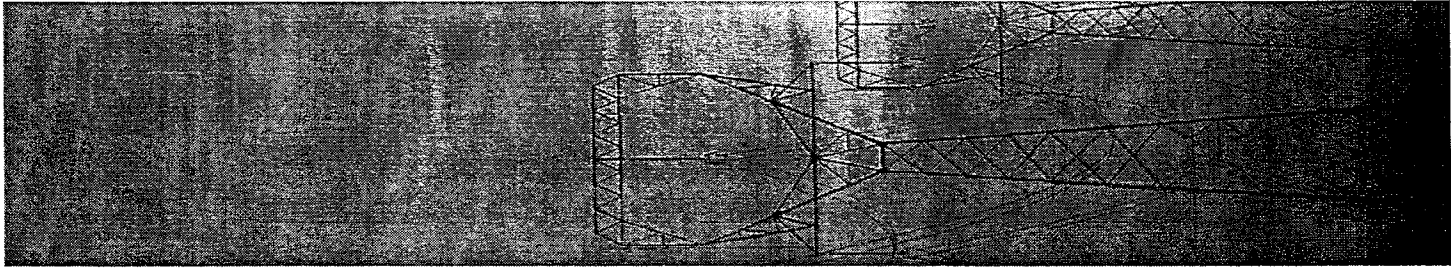
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Consequences of Self Insurance

- Funding restoration
- Effects on the customer
- Effects on the community
- Potential price shocks post event



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Options

- **Do nothing**
- **Captive insurer**
- **Mutual risk fund**



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ENA Catastrophe Programme

- **Mutual fund**
- **Solution for industry as a whole**
- **Brings stability over time**
- **Removes volatility**
- **\$1.50 - \$2.00 per customer**



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ENA Catastrophe Programme

- **Lower costs than if everyone did it on their own**
- **Removes potential for price threshold breach post event**
- **Benefits the customers and the community and the owners**
- **Allows certainty - with a visible and measurable cost for each business**



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