

# Chorus - Response to our request for more information regarding insurance –

21 January 2026

## Background

- 1.1 On 11 September 2025, we sent out an email to Chorus requesting more information on its self-insurance allowance. We are publishing the questions and answers (with redactions for confidentiality) in this document alongside our draft decision paper.

## Self-insurance request

- 1.2 We sought the following information from Chorus regarding the self-insurance arrangements that it operates:
  - 1.2.1 A detailed description of Chorus' self-insurance framework.
  - 1.2.2 The value of total self-insurance allowance (base amount and uplift) for each year in PQP2.
  - 1.2.3 An excel spreadsheet showing the calculations (including any discounting) used to quantify the annual total self-insurance allowance for the four years of PQP2. This should include any supporting expert advice or reports (including the Aon report) with an explanation (if applicable) of how the supporting information, including analysis of probable loss scenarios and asset values for assets that are self-insured, reconciles to or supports the total self-insurance allowance.
  - 1.2.4 In Chorus' submission on our Fibre IM Review Issues paper (paragraphs 94-94.3), Chorus suggested that self-insurance is a way of reducing the total insurance costs. However, in terms of the costs that have actually been charged to end-users (through the opex allowance), how are the insurance benefits associated with those costs shared with end-users when a loss event occurs?
- 1.3 We sought the information by 18 September.
- 1.4 Chorus sought a call with us in order to help it better understand the request.
- 1.5 We had a call with Chorus on 15 September 2025. We discussed that the intent of the request was to understand Chorus' self-insurance framework and clarify how the self-insurance benefits will be shared with end-users in a loss event.

1.6 Chorus responded that the self-insurance benefits are shared with end-users as consumers pay less in total for insurance. Chorus provided further information in the email response to our request, which is set out below.

## Chorus' response to our email

1.7 Chorus responded as follows (highlighting some confidential information contained in the response):

1.8 Q: A detailed description of Chorus' self-insurance framework.

A: Please see attached Aon report (confidential).

1.9 Q: The value of total self-insurance allowance (base amount and uplift) for each year in PQP2.

A: \$1.2 million (PQ FFLAS, constant) was the step adjustment for self-insurance where 2022 was the base year (nil). As the %-allocator changes over time, so does the allocated amount as per the following table:

\$ million	2025	2026	2027	2028	RP2
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]					
[REDACTED]					
[REDACTED]					
PQ FFLAS self-insurance (constant)	1.32	1.35	1.36	1.36	5.39

Please note that the unallocated amount is confidential.

1.10 Q: An excel spreadsheet showing the calculations (including any discounting) used to quantify the annual total self-insurance allowance for the four years of PQP2. This should include any supporting expert advice or reports (including the Aon report) with an explanation (if applicable) of how the supporting information, including analysis of probable loss scenarios and asset values for assets that are self-insured, reconciles to or supports the total self-insurance allowance.

A: Aon carried out modelling (including stochastic modelling) to inform its report, however we were not privy to this exercise.

1.11 Q: In Chorus' submission on our Fibre IM Review Issues paper (paragraphs 94-94.3), Chorus suggested that self-insurance is a way of reducing the total insurance costs. However, in terms of the costs that have actually been charged to end-users (through the opex allowance), how are the insurance benefits associated with those costs shared with end-users when a loss event occurs?

A: As discussed on our call, the benefits of self-insurance include that consumers pay less in total for insurance / risk mitigation than they otherwise would in the absence of self-insurance. These savings are shared with end-users through lower regulated prices / revenues, or deferred price increases.

When a loss event occurs, Chorus absorbs the cost of the loss using its own reserves or balance sheet. This means:

- There's no external payout (as with traditional insurance).
- Chorus decides how and when to fund repairs or replacements
- End users typically don't receive compensation, rebates, or service credits directly.

We accept there is currently no prescribed process by which Chorus is required to calculate the amount of self-insurance 'cover' (i.e. a proxy for an insurance payout if the event were covered by an insurance policy) ascribed to a qualifying loss event. We are open to work with the Commission to determine whether this can be practicably achieved.