

**Report To: Audit and Risk Committee**



**Meeting Date:** 12 May 2026

**Subject:** **Insurance Update Report for the insurance year to 31 October 2026**

**Type:** Information Only

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## 1. Purpose of Report

- 1.1 The purpose of this business paper is to brief the Committee on Council's 2025/26 insurance arrangements.

## 2. Suggested Resolutions

- 2.1 The following are suggested resolutions only and do not represent Council policy until such time as they are adopted by formal resolution.
- 1 The business paper on Insurance Update Report for the insurance year to 31 October 2026 be received.

## 3. Background

- 3.1 Waitomo District Council (WDC) is a member of the Co-Lab Insurance Advisory Group which has a membership of ten councils in the greater Waikato area.
- 3.2 AON is the insurance broker advisor for the insurance policies under the Co-Lab insurance collective arrangement.
- 3.3 Insurance cover for material assets are separated into above ground cover (buildings, treatment plants, equipment, motor vehicles, high value bridges) and below ground cover (underground waters assets).
- 3.4 Liability insurance (public, professional indemnity, statutory, employer, fidelity/crime, cyber security and airport owners and operators' liability) form the other main group cover.

## 4. Commentary

### 4.1 2025/26 Insurance renewal

- 4.2 The insurance policies taken out under the Co-Lab arrangement were renewed on 31 October 2025 for a 12-month period.
- 4.3 The table summarising the insurance policies currently in place along with a brief description of the coverage and respective excess arrangements is included in Appendix 1.
- 4.4 Valuations for insurance purposes were undertaken at 30 June 2025 for three waters assets and land and buildings. The values have been incorporated into the declared values for the relevant policies; being the Material Damage Business Interruption (MDBI) and Infrastructure policies.

#### **4.5 Cost of Insurance Cover**

- 4.6 Total insurance premiums for all policies for 2025/26 financial year is \$446,000 (2025: \$473,000) of which the premiums for the Material Damages and Business Interruption (MDBI) policy is the most significant. The total cost for that policy, which also includes the Earthquake Commission Levy and Fire and Emergency Levy is \$289,000 (2025: \$380,000).
- 4.7 The main driver for the decrease is due to increased competition in the market with the insurance rate decreasing for the year as detailed in point 4.15 below.

#### **4.8 Infrastructure Insurance**

- 4.9 The Infrastructure Insurance policy covers underground assets and significant bridges for catastrophic natural disaster events. The coverage is for 40% of the total loss, with the remaining coverage being funded from central government. The central government funding is dependent on councils having adequate cover for their 40% share of assets insured.
- 4.10 The policy is structured on a shared basis with the other councils and although it has a policy limit of \$300 million, each council has a sub-limit. WDC's sub-limit is \$40 million.
- 4.11 As indicated in the last insurance update business paper a loss modelling study for earthquake and fire loss perils was promoted to test the adequacy of each council's or entities sub-limit.
- 4.12 Funding of the study is being shared by councils within the collective, Waikato Waters Limited (WWL), IAWAI-Flowing Waters Limited along with a contribution from the insurers who will all benefit from understanding the probable loss amounts. This modelling will influence the limits and sub-limits for the Infrastructure and MDBI policies, with the fire loss modeling mainly applying to the MDBI policy.
- 4.13 WWL has been added as an interested party to the Infrastructure and MDBI policies. This ensures continuity of cover over the transition of assets to the company, and WDC will be reimbursed by WWL for their portion of the insurance premium already paid for the July-October 2026 period.

#### **4.14 Material Damage and Business Interruption Policy**

- 4.15 The total value insured under the material damage policy is \$173 million. For the MDBI policy the insurance rate, which is the premium cost per value of insured, decreased significantly; the rate for 2025/26 is \$1.68 per \$1,000 of cover compared with \$2.08 for the previous year.
- 4.16 The decrease in insurance rate is due to softening of the market as more insurers enter the market. The collective, as advised by our brokers, has balanced the softening market with the inclusion of new insurers into the collective's insurance business and maintained existing business relationships as well as expanding the total pool of insurers.
- 4.17 Critical to this process has been the detailed and accurate asset information provided by member councils.

#### **4.18 Public Liability and Professional Indemnity Policies**

- 4.19 Public liability and professional liability insurance premium cost remained at \$66,000. The level of cover under both policies is \$15 million (the maximum cover available).
- 4.20 Extensions have been added to the policy to include cover for civil defence controllers, staff and volunteers acting within their civil defence emergency roles and Co-lab has been named as a party for the provision of building consent services under a shared services arrangement.

#### **4.21 Unmanned Aerial Vehicle (Drone Policy)**

- 4.22 Recently an Unmanned Aerial Vehicle policy has been acquired to cover the operation of drone(s) by staff on WDC business (such as civil defence and inspections of tall building/structures). The policy covers both damage to the drone and more importantly damage to third party people and property.
- 4.23 The cover limits are \$2,500 for the drone itself, \$10 million for inflight third-party liability and \$1 million for third-party damage.

#### **4.24 Cyber Insurance Policy**

- 4.25 WDC has in place a Cyber policy which covers losses from an actual breach, or suspected breach of our computer systems, or an extortion threat with intent to harm or restrict access to our computer systems or data. The cover is for losses up to \$1 million and damages up to \$500,000, with the excess being \$25,000 for each and every claim.
- 4.26 Our brokers have confirmed the level of cover is in line with the majority of similar sized councils who have this type of policy. The brokers have noted though that the local government sector tends to under-purchase cyber insurance relative to the risks they encounter and generally have budgetary constraints.
- 4.27 Determining the level of appropriate cyber policy limit is complex as cyber losses can vary significantly. Comprehensive insurance questionnaires and declarations are completed annually to renew this cover and insurers mandated several mitigation measures to be put in place to reduce the chances of cyber-attacks (for example, two factor authentication and removal of old legacy systems).
- 4.28 The brokers have tested our information through their cyber risk analyser tool which, whilst developed for larger organisations, indicates that the current level of cover is adequate.

#### **4.29 Airport Owners and Operators Liability Policy**

- 4.30 WDC through operation of the aerodrome has a policy in place for \$10 million for ownership, operation, and management of the facility. The excess is \$2,500 in respect of property and \$5,000 for aircraft.
- 4.31 The brokers have advised this level of cover is adequate for the level and type of operations that are carried out at the airfield.
- 4.32 The insurance cover is based on information and declarations that accurately describe the types of, and level of activity carried out at the aerodrome. If there was to be an increase or higher value aircraft were to frequent the aerodrome the policy coverage would be reviewed.

#### **4.33 Insurance Covers Spectrum**

- 4.34 An internal assessment of where WDC's insurance covers lie relative to a "gold – silver – bronze standard" is set out in the table below. The assessment is a judgement and is rebuttable, however it is about balancing acceptable insurance risk with cost of premiums.
- 4.35 More policy details including sub-limits and deductibles or excesses are included in Appendix 1.

<b>Insurance Covers (Declared Value or limit to insurer's liability) (\$000's)</b>	<b>Gold</b>	<b>Silver</b>		<b>Bronze</b>	<b>Comment</b>
Material Damage and Business Interruption	Replacement Value \$167,753	Functional Replacement 3,668	Indemnity 1,195	Demolition 1,227	Full cover for major and critical assets and reduced cover for several less critical assets
Infrastructure Cover		40% Replacement Value 131,827			Cover is for 40% of total replacement value
Professional Indemnity and Public Liability		Limit of Cover 15,000			Unable to source an additional shared layer
Commercial Motor	Replacement Value 1,948				Full cover
Employers Liability	Limit of Cover 1,000				Full cover

<b>Insurance Covers (Declared Value or limit to insurer's liability) (\$000's)</b>	<b>Gold</b>	<b>Silver</b>	<b>Bronze</b>	<b>Comment</b>
Statutory Liability	Limit of Cover 1,000			Full cover
Fidelity/Crime	Limit of Cover 2,000			Full cover
Cyber Liability	Limit of Cover 1,000			Full cover
Airport Owners and Operators Liability	Limit of Cover 10,000			Full cover
Drone Policy	Limit of Cover \$1,000			Full cover

- 4.36 Some properties that are not on full replacement cover under the MDBI policy and hence ranked as silver or bronze on the coverage spectrum.
- 4.37 The Infrastructure Policy provides for 40% of the replacement value of underground assets, with the expectation central government will contribute the balance, because there is scope to increase this, the level of cover has been assessed as silver standard.
- 4.38 Public Liability and Professional Indemnity policies have a limit of \$15 million which is what the market will currently offer and has been assessed as silver standard, as historically the previous cover had a policy limit of \$300 million.
- 4.39 The other remaining policies are assessed as being gold standard as the level of cover is deemed adequate as advised by the brokers.

#### **4.40 2026/27 Insurance Renewal**

- 4.41 The programme for the next renewal round is underway with schedules and insurance information due to AON in July and August. Representatives from AON and the Waikato collective will present to the London Markets in September 2025.
- 4.42 Brokers have indicated that the markets are looking positive for the November renewal, with the exception of liability insurance market.
- 4.43 The Earthquake and Fire Loss Modelling project commenced in May with the results expected to be inform the renewal of the infrastructure and MDBI policies.

## APPENDIX 1: Summary of Insurance Policies

Policy	Description	Values Covered	Excess
Material Damage and Business Interruption	<p><b>Material Damage:</b> Covers damage unforeseen and unintended by the insured, to insured property at the location(s) shown in the schedule of declared values.</p> <p>(Covers all risks to identified buildings, contents such as computers, books, and furniture. Also covers above ground infrastructural assets such as treatment plants and reservoirs and other community assets such as playgrounds and statues).</p> <p><b>Business Interruption:</b></p> <p>Covers loss resulting from interruption or interference with the business carried on by the insured at premises in consequence of insured damage.</p> <p>Covers consequential loss resulting from physical loss or damage to Council owned property such as loss of rental income if a building burns down. The policy has both shared limits and sub limits specific to each member Council.</p>	<p>Replacement value covered \$180,831,000, (Revised value \$171,887,000)</p> <p>Fire Limit \$20 million</p> <p>Business Interruption declared value \$1,507,000</p> <p><b>Combined MDBI Limit of Liability</b></p> <p>The maximum the insurer will pay for all of the insured \$150,000,000.</p> <p><b>Fire Losses – Material Damage</b></p> <p>The maximum the insurer will pay for all of the insured \$125,000,000.</p>	<p><b>Non-Natural Disaster</b></p> <p>Deductible \$25,000.</p> <p>Landslip and/or Subsidence \$25,000.</p> <p>Fluvial and Pluvial Flood \$100,000.</p> <p>Business Interruption: 24 hours, except for Dependency – Transport Routes: 7 days.</p> <p><b>Natural Disaster</b></p> <p>Deductible 2.5% of the Material Damage location sum insured but not less than \$10,000.</p> <p>For Pre 1935 Risks: Deductible 10% of the Material Damage location sum insured but not less than \$10,000.</p> <p>Business Interruption: 21 days</p>
Infrastructure Insurance (40% Placement)	<p>Physical loss to insured assets caused by a Natural Catastrophe Event, including Earthquake, Natural Landslip, Flood, Tsunami, Tornado, Windstorm, Volcanic Eruption, Hydrothermal and Geothermic Activity and Subterranean Fire.</p> <p>(Insured assets are underground water supply, wastewater, stormwater assets. Treatment plants and pump stations are included in the Material Damages policy).</p>	<p>Declared value \$131,827,000.</p> <p>Limit of Liability: Combined limit is 40% of \$300 million, subject to each council's sub-limit.</p> <p>Waitomo DC's Sub limit: \$40 million.</p>	<p>Deductible \$500,000 to be applied 100% to the full loss in any one event, prior to the 60% claim settlement adjustment from Central Government</p>
Commercial Motor Vehicle	<p>Cover for the motor vehicle fleet and provides for third party property and bodily injury.</p> <p>(Excluding windscreen cover).</p>	<p>Fleet value insured \$1,948,000.</p> <p>Third party liability \$20 million.</p> <p>Except for Airside Liability restricted to \$2 million</p>	<p>Each and every claim 1% of the vehicle's value with a minimum of \$500.</p> <p>Except for drivers aged 21 years and under \$1,000.</p>
Statutory Liability	<p>Covers defence costs, fines (to the extent allowable by law) and reparation orders arising from an investigation and/or prosecution by a Statutory Body for an unintended breach or breaches of an Insured Act (There are some excluded Acts).</p>	<p>For Fines and Reparations \$1 million</p> <p>Defence costs \$1 million.</p>	<p>Excess \$10,000, except for claims under the Health and Safety at Work Act and Resource Management Act which \$25,000 applies.</p>

Policy	Description	Values Covered	Excess
Employers' Liability	Legal liability to an employee of the Insured who sustains personal injury arising out of or in the course of their work, which is not covered by Accident Rehabilitation Act 1992	Policy limit is \$1 million in the aggregate for loss and \$1million in aggregate for defence costs	Each and every claim (including Defence costs) \$1,000
Fidelity/Crime	Direct financial loss first discovered during the policy period and caused by criminal, dishonest or fraudulent acts committed and which results in an improper financial benefit.	Policy limit is \$2 million in the aggregate	Each and every claim inclusive of defence costs \$50,000 (plus GST)
Cyber Insurance Policy	Covers losses from an actual breach, or suspected breach, of the Insured's computer systems, or extortion threat with and intent to harm or restrict access to the Insured's computer network or electronic data	Loss (excluding damages): Any one claim and in the aggregate (excluding damages) \$1 million.  Damages: Any one claim and in the aggregate for damages \$500,000.	Excess \$25,000 for each and every claim, actual of suspected Breach or Extortion Threat.
Drone Hull and Liability Policy	Hull and liability for full flight risks. For operation below 400 feet and visual line of sight.	Hull \$2,500 agreed value, Flight Legal Liability \$10 million, and  Public Liability \$1 million for any one occurrence.	1% of agreed value, with minimum \$500 each and every claim including total loss.  For public liability \$2,500 each and every loss in respect of property damage.
Airport Owners and Operators Liability	Legal liabilities arising in connection with the ownership, operation and management of an airport as a result of an accident.  Amounts which the Insured becomes legally liable to pay to third parties as damages for Bodily Injuries and/or Property Damage arising from an occurrence in connection with the Insured's business as owner and/or operator of the Airport(s) specified and subject to the Geographical Limits stated.	\$10 million limit for each accident for bodily injury and/or property damage any one occurrence	Excess: Each and every claim in respect of property \$2,500,  In respect of aircraft \$5,000.  In respect of bodily injury \$nil.
Public Liability and Professional Indemnity Insurance.	<u>Public/General Liability</u>  Coverage against liability to third parties for property damage and/or personal injury arising from or in connection with the Insured's operations, for all amounts which the Insured is held legally liable to pay.  <u>Professional Indemnity</u>  Protection against claims alleging civil liability, by any act, error, omission or conduct	<u>Public/General Liability</u>  \$15 million per any one occurrence.  \$30 million in the aggregate during the period of Insurance for Natural Disaster claims.  Hall Hirers Liability Extension: Full Policy Limit  Tenants Liability: Full Policy Limit  <u>Professional Indemnity</u>  \$15 million any one claim in the aggregate any one period of insurance for the	<u>Public Liability</u>  Excess \$10,000 each and every claim inclusive of cost and expenses.  Hall Hirers Liability: \$1,000  <u>Professional Indemnity</u>  Excess \$25,000 for each and every claim inclusive of cost and expenses.

Policy	Description	Values Covered	Excess
	that occurred in connection with the insured's Professional Business Practice.	<p>insured (excluding costs and expenses).</p> <p>Costs and Expenses: \$2 million.</p> <p>But limited to \$30 million in the aggregate for all claims by councils listed in the table of insured councils for the Buildings Defects Endorsement.</p>	Excess \$25,000 for each and every claim relating to the Building Act 2004.