

1 Q. Reference: Schedule I to evidence of M. G. Bradbury. What evidence does  
2 Hydro have at its disposal from third party sources that indicates that its  
3 insurance costs are to increase from \$1.675 million in 2005 to \$1.850 million  
4 in 2006 and to \$2.123 million in 2007? Please provide the same.

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7 A. The table shown below provides a break down of actual and forecasted  
8 Insurance costs for the years 2005, 2006 and 2007.

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	<b>2005 Actual</b>	<b>Projected 2006 Actual</b>	<b>2007 Budget</b>
Property/Boiler & Mach.	\$945,098	\$979,668	\$1,180,666
Primary Liability	\$111,723	\$123,373	\$140,541
Umbrella Liabilities	\$139,747	\$137,749	\$137,748
Aircraft-Non Owned	\$9,607	\$9,607	\$9,608
Automobile	\$228,188	\$281,590	\$277,041
Travel Accident	\$5,327	\$5,761	\$6,204
Safe Berth	\$19,718	\$25,885	\$25,110
Directors & Officers	\$106,572	\$124,998	\$143,822
Brokerage Fees	\$69,950	\$72,197	\$69,696
Deductible Losses	\$38,670	\$30,000	\$30,000
FM Global Membership Credit <sup>1</sup>	--	--	\$(65,000)
<b>Total</b>	<b>\$1,674,600</b>	<b>\$1,790,828</b>	<b>\$1,955,436</b>

10 *<sup>1</sup>Hydro was notified on October 19, 2006 that it was eligible for a membership credit*  
11 *from FM Global in 2007, subject to renewal with FM Global on July 1, 2007.*

12

13 Please see the attached letter received September 27, 2006, upon Hydro's  
14 request, in support of the increased insurance costs.



Insurance Brokers  
Risk Consultants

Marilyn Leonard  
Manager, Risk and Insurance  
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P.O. Box 12400  
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**RE: INSURANCE COSTS**

Dear Ms. Leonard;

**Property Insurance**

From 2003 to 2006, Hydro benefited from a 3-year fixed rate agreement at a premium of \$855,767. Upon expiry of this agreement, in 2006, the policy was fully remarketed to all potential insurers both in Canada, US, London and Europe. The best available terms were from FM Global, and after final negotiations, a 3-year option was offered at premiums of \$979,869, \$1,078,490 and \$1,176,991, for Policy years July 1/06-07, 07-08, and 08-09 respectively, in each case plus 15% premium tax.

**Liability Insurances**

The liability policies (CGL and the various Umbrella liability layers as well as Directors & Officers Liability) are renewed and negotiated annually. Premiums change based on Hydro's revenues, its claims history, and on overall insurance market conditions.

**Automobile Insurance**

This Policy also renews and is negotiated annually. Premium changes are based on vehicle count, Hydro's claim history, and on overall automobile insurance market conditions.

Sincerely,

A handwritten signature in cursive script, appearing to read "John S. Bate".

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for: John S. Bate  
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