

1 Q. What deductible level does Hydro choose in relation to its various insurance
2 coverages. How do these chosen deductible levels compare to the maximum
3 deductibles available under Hydro's policies of insurance?

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6 A. Current Deductibles by Policy:

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8 1) Property/Boiler: \$1,000,000

9 - All coverages, **except** \$2,000,000 applicable to turbine generator units
10 and their associated equipment

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12 2) General Liability: \$5,000

13 - Property Damage Per Occurrence

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15 3) 1st. Excess Liability: \$10,000

16 - Per Occurrence

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18 4) 2nd. Excess Liability: NIL

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20 5) Non-Owned Aviation: NIL

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22 6) Marine Liability: \$10,000USD

23 - Any one loss, accident or occurrence

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25 7) Excess Marine Liability: \$10,000USD

26 - Any one loss, accident or occurrence

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28 8) Automobile: \$5,000

29 - Each Accident

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31 9) Directors & Officers: \$250,000

32 - Corporate Reimbursement Each Loss

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34 10) Excess Directors & Officers: \$250,000

35 - Corporate Reimbursement Each Loss

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37 11) Travel Accident: NIL

1 Hydro has the option to select deductible levels without preset maximum
2 deductible restrictions. Deductible options are assessed periodically to
3 measure the cost benefit of deductible changes to Hydro. Assessment
4 criteria would include historical loss data, current deductible levels, premium
5 variations applicable to deductible options and financial considerations for
6 increased deductible levels.

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8 The Property/Boiler Policy represents approximately 62% of Hydro's total
9 annual insurance premium. The current deductible structure is \$1,000,000
10 for all coverages, except \$2,000,000 applicable to turbine generator units
11 and their associated equipment. The total annual premium for the
12 Property/Boiler Policy, at current deductible levels, is \$979,869. To increase
13 all deductible levels to \$2,000,000, annual premium savings of \$98,560
14 would be realized. An increase in deductible to \$5,000,000 would result in
15 annual premium savings of \$262,830.

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17 Deductible options applicable to all other major policies, including liability,
18 excess liability, directors and officers, crime and automobile, have been
19 considered. Based on this review, it was determined that the premium
20 savings from increased deductibles did not justify the increased risk to Hydro.
21 Most insurance markets require a minimum premium level to underwrite
22 utility risks and Hydro's policies are currently rated at this level. As a result,
23 higher deductibles will mean that Hydro self-insures more claims costs and,
24 as minimum premium reductions do not offset such costs, there is no benefit
25 financially for Hydro to increase deductibles beyond current levels.