

1 **Q. Reference: “2022/2023 General Rate Application,” Newfoundland Power, May 27,**
2 **2021, Volume 1, Page 2-39, Footnote 84.**

3
4 **Please provide the detailed support for the insurance increases forecast for each**
5 **year and explain if any policy changes can be made to mitigate the projected**
6 **increases.**

7
8 A. Table 1 shows Newfoundland Power’s insurance costs from 2019 to 2023F.¹

**Table 1:
Insurance Costs
(\$000s)**

2019	2020	2021F	2022F	2023F
1,397	1,698	2,079	2,306	2,345

9 From 2019 to 2023, insurance costs are forecast to increase by approximately \$948,000,
10 or approximately 68%.² This reflects actual premium increases of approximately 16%
11 and 22% in 2019 and 2020, respectively, estimated premium increases of 22% in 2021,
12 and inflationary increases based upon the GDP deflator thereafter.³

13
14 The increase in costs is primarily driven by higher property insurance premiums. The
15 deteriorating global property insurance market has reduced market capacity, resulting in
16 increased rates from insurers that remained in the market.

17
18 Maintaining appropriate insurance coverage requires insured entities to engage brokerage
19 services and to obtain professional risk management advice and guidance from insurance
20 professionals. These services are provided for Newfoundland Power by Aon Reed
21 Stenhouse Inc. (“AON”), an insurance broker.

22
23 Annually, AON confirms the appropriateness of the Company’s property and casualty
24 insurance programs, considering the availability and cost of coverage in the insurance

¹ See the *2022/2023 General Rate Application, Volume 1, Application, Company Evidence and Exhibits, Section 2.4.1: Operating Costs*, page 2-35, Table 2-9.

² Newfoundland Power renews its insurance program on July 1st each year. Consequently, insurance cost for any calendar year reflects 6 months’ costs from the prior year’s insurance renewal process and 6 months’ costs from the current year’s renewal process.

³ Insurance premiums increased by approximately 16% from July 1, 2019 to June 30, 2020 and 22% from July 1, 2020 to June 30, 2021. The 22% estimated increase from July 1, 2021 to June 30, 2022 was based on the best information available at the time of preparing the *2022/2023 General Rate Application*. Since there is no reliable forecast to indicate what market conditions would be upon renewal in 2022, Newfoundland Power assumed inflationary increases for the July 1st renewals in each of 2022 and 2023.

1 market. AON has confirmed that the rates and coverages are the best available given the
2 current market conditions.

3
4 Attachment A provides AON's confirmation of the appropriateness of the Company's
5 insurance coverage for the 2020-2021 term.

Aon Reed Stenhouse Inc.
Confirmation of Appropriateness of Insurance Coverage 2020-2021 Term



July 9th, 2020

Newfoundland Power Inc.
PO Box 8910
St. John's, NL A1B 3P6

Attention: Paige London

Dear Ms. London:

In compliance with your request, Aon Reed Stenhouse Inc. ("Aon") confirms the appropriateness of coverage afforded by your company's property and casualty insurance programs, considering the availability and cost of coverage in the present insurance market. Globally, Aon provides insurance brokerage services to numerous major utilities and property risks. Our experience with these risks enables us to confirm that the coverage and limits provided by your insurance program are consistent in scope and nature with similar types of risks worldwide.

Based on Aon's intensive marketing of your insurance programs, we can confirm that the rates and coverage for the 2020-2021 term are the best available given the current market conditions.

We trust the foregoing provides the information you require. Should you have further questions or concerns, please do not hesitate to contact the undersigned.

Yours sincerely,

Aon Reed Stenhouse Inc.

A handwritten signature in blue ink, appearing to read "R + B St", is written over a faint, light blue rectangular stamp.

Rob Bennett, BBA, CRM, CAIB

cc. Gordon Payne