Q. Reference: Transcript, June 17, 2024, page 71, lines 1 to 7 and line 15 to 18.

Please confirm at what time an analysis regarding insurance premiums paid by Newfoundland Power was last done, by whom it was done and whether there was any input by Newfoundland Power in that review.

Please provide a copy of the report provided to Newfoundland Power by its insurance broker.

A. From time to time, Newfoundland Power reviews its insurance coverage to determine whether participation in the Fortis Inc. ("Fortis") group insurance program continues to be least-cost for Newfoundland Power's customers, or whether it would be more cost effective for the Company to obtain independent coverage.

This review was last undertaken by Aon Reed Stenhouse Inc. ("Aon") in February 2021 at the request of Newfoundland Power. The request was coordinated through the Director, Risk Management of Fortis. Aon's review included discussing premiums with insurers and benchmarking Newfoundland Power against other similar accounts, based on the terms, conditions, limits and deductibles.

Based on the analysis performed, it was determined that Newfoundland Power achieves the greatest cost efficiency and the broadest coverage by remaining within the Fortis group insurance program.

Aon's Insurance Benchmarking report dated February 12, 2021 is provided as Attachment A.

Aon Reed Stenhouse Inc.
Insurance Benchmarking – Newfoundland Power

Empower Results®

Proprietary and Confidential

February 12, 2021
Mr. Gordon Payne
Director, Risk Management
Fortis Inc.
5 Springdale St., Suite 1100
P.O. Box 8837
St. John's, NL
A1B 3T2

Re: Insurance Benchmarking – Newfoundland Power

Further to your request, Aon undertook a study to determine whether it was more cost effective for Newfoundland Power to obtain their insurance under the Fortis Inc. insurance program or to obtain coverage independently.

In addition to discussing premiums with various insurers, Aon benchmarked Newfoundland Power against other similar accounts based on the terms, conditions, limits and deductibles recently negotiated for the Fortis Inc. insurance program.

Based on our analysis, as outlined in Appendices A and B, attached, it is evident that Newfoundland Power benefits substantially from participation in the Fortis Inc. insurance program. An overview of our findings is attached. Appendix A contains a brief discussion by line of coverage, while Appendix B details the estimated premiums.

In addition to premium variances, there are coverage considerations that one must take into account. Insurance markets have cautioned that coverage for Newfoundland Power in a standalone placement may not be as broad as that provided under the Fortis Inc. insurance program.

Based on the analysis performed, we continue to be of the opinion that Newfoundland Power achieves the greatest cost efficiency and the broadest coverage by remaining within the Fortis Inc. insurance program.

Trusting all information has been presented to your satisfaction. However, should you require further information or wish to discuss any of the information contained in this correspondence, please do not hesitate to contact the undersigned.

Yours truly,

Jonathan Butts

Jonathan Butts, Vice President
Aon Reed Stenhouse Inc.

Appendix A – Discussion

Property Insurance

Newfoundland Power's insured assets are largely comprised of hydroelectric generating stations, substations, service centres, and office buildings. Based on a standalone insurance program, with comparable terms and conditions as the current master program, we estimate that Newfoundland Power would pay at least an average rate of $0.14 per $100 of insured values, which is 60% higher than their present rate of $0.088 under the group policy.

The lower rate currently applicable to the Fortis Inc. insurance program is a reflection of the insurers' ability to underwrite larger risks at lower overall rates and take advantage of Fortis' geographic diversity, all while maintaining profitability.

Liability Insurance (Commercial General Liability, Umbrella, and Excess policies)

On a standalone basis, Newfoundland Power would be charged additional premiums compared to what is currently applicable to them under Fortis' Canadian group program. The 5 M CGL and the 25 M primary Umbrella taken together could expect to be more than double.

Excess liability layers are be subject to a minimum cost of $2,500 per million of limit. Current rates paid by Newfoundland Power are below $500 per million of limit due to the cost sharing amongst the Fortis companies. Given its size and the nature of its operational risks, Newfoundland Power would most likely continue to require the 150 M total limit it pays for under the Fortis program. (Note, in addition to the 150 M limit of liability insurance available to Newfoundland Power, Fortis' excess liability program provides additional limits up to 500 M in total).

Automobile Insurance

Newfoundland Power benefits from substantial fleet credits given the size of the combined Fortis fleet in Canada which number approximately 1,500 units in total. Writing this coverage on a standalone basis would increase unit rates for Newfoundland Power by 75%.

Directors' & Officers' Insurance

On a standalone basis, Newfoundland Power would incur substantially higher costs for coverages and limits comparable to the group program. Underwriting factors we have used in these estimates include:

- Newfoundland Power would be considered privately-held if treated on a standalone basis. While private companies generally see lower rates as compared to publicly listed/traded entities this is offset somewhat in this case, as Newfoundland Power does issue debt in their own name.
- Newfoundland Power benefits greatly from the fact that the majority of the D&O premium is paid at the Fortis Inc. level and/or by other subsidiaries, yet Newfoundland Power benefits from the coverage.
- Limits required as a standalone may not be as high as those required by Fortis. Our figures assume a $50 million limit which is likely the minimum that the Newfoundland Power Board of Directors could reasonably accept.

Should Newfoundland Power pursue a standalone D&O program with a limit of 50 M, it would result in a premium increase of 600% above current levels. Using comparable figures from other private Canadian energy and utility companies, we estimate that Newfoundland Power would be facing standalone D&O pricing at $2,500 per million of limit, which is the minimum per million rate available in the marketplace.

Newfoundland Power's participation in the Fortis Inc. group program enables the minimum premiums to be allocated to all participants, such that all of Fortis Inc.'s subsidiaries benefit substantially.

Cyber Insurance

On a standalone basis, Newfoundland Power would be charged an additional 450% above the premium currently applicable to them under the group program. The rate they would see equates to 0.025% of annual revenues, assuming that Newfoundland Power would maintain their current limit of 25 M. There is substantial benefit in pooling all of Fortis Inc.'s cyber insurance coverages together which allows for a healthy limit at a reasonable price.

Other Insurance Coverages

We have not included savings on the following policies, as the small premiums involved are not material overall:

- Crime
- Fiduciary Liability
- Employment Practices Liability
- Terrorism
- Non-Owned Aviation

Broker Service Fee

Aon is compensated on a fee basis at present. That fee reflects the efficiencies of the group program. If Newfoundland Power were to seek broker proposals on a standalone basis, they could expect a fee typically the range of 7.5 to 10% of premiums placed. Or, if they chose to compensate the broker on a conventional commission basis, they could expect to add a minimum of 10% to the standalone premiums shown. We used a figure of 8% in Appendix B.

Appendix B – Premium Comparison

Insurance Type	NL Power (Current)	NL Power (Standalone)	Difference ($)	Difference (%)	Notes
Property	$1,131,249	$1,800,000	+ $670,000	+ 60%	Current rate: 0.088% Estimated standalone rate: 0.14% (TIV)
Liability – Primary & Umbrella	$155,865	$330,000	+ $175,000	+ 110%	Current limit and rate: $30 M and 0.023% (revenue) Estimated standalone limit and rate: $30 M and 0.050% (revenue)
Liability – Excess	$53,175	$300,000	+ $250,000	+ 370%	Current limit and rate: $120 M and $443 (per million of limit) Estimated standalone limit and rate: $120 M and $2,500 (per million of limit)
Automobile	$135,246	$240,000	+ $105,000	+ 75%	Current limit and rate: $2 M and $343 (per unit) Estimated standalone limit and rate: $2 M and $600 (per unit)
Directors' & Officers'	$17,971	$125,000	+ $105,000	+ 600%	Current limit and rate: $95 M and $189 (per million of limit) Estimated standalone limit and rate: $50 M and $2,500 (per million of limit)
Cyber	$30,143	$165,000	+ $135,000	+ 450%	Current limit and rate: $25 M and 0.0045% (revenue) Estimated standalone limit and rate: $25 M and 0.025% (revenue)
Total Premiums	**$1,523,649**	**$2,960,000**	**+ $1,440,000**	**+ 95%**	
Broker Fee	$63,150	$240,000	+ $175,000	+ 280%	Current fee: fixed Estimated standalone fee: 8% of premiums placed
Grand Total	**$1,586,799**	**$3,200,000**	**+ $1,615,000**	**+ 100%**	

Notes:

- For the period July 1, 2020, to July 1, 2021
- Taxes excluded
- Some figures have been rounded for simplicity