

1 **Q. Section 2: Customer Operations/Operating Costs**

2  
3 **Reference: “2025/2026 General Rate Application,” Newfoundland Power Inc.,**  
4 **December 12, 2023, vol. 1, Evidence, sec. 2.4.1, p. 2-33, Table 2-7.**

5 **Please provide detailed support for the insurance increases forecast for each year**  
6 **and explain if any policy changes (such as changes to coverage or deductibles) can**  
7 **be made to mitigate the projected increases.**

8  
9 A. Table 1 shows Newfoundland Power’s insurance costs from 2022 to 2026F.<sup>1</sup>

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

<b>2022</b>	<b>2023F</b>	<b>2024F</b>	<b>2025F</b>	<b>2026F</b>
2,214	2,428	2,621	2,773	2,932

10 Insurance costs are forecast to increase by approximately \$718,000, or approximately  
11 32% from 2022 to 2026. This reflects actual insurance premium increases of  
12 approximately 9.0% effective July 1, 2022 and 10.2% effective July 1, 2023.<sup>2</sup> Forecast  
13 costs for 2024 through 2026 are based on consideration of actual premium increases over  
14 the past three years and inflationary increases based upon the GDP deflator.<sup>3</sup>

15  
16 The increase is mostly due to higher property insurance premiums, foreign exchange  
17 fluctuation, as well as rate pressure for casualty and cyber liability.

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

23  
24 Annually, AON confirms the appropriateness of the Company’s property and casualty  
25 insurance programs, considering the availability and cost of coverage in the insurance  
26 market. AON has confirmed that the rates and coverages are the best available given the  
27 current market conditions.

<sup>1</sup> See the *2025/2026 General Rate Application, Volume 1, Application, Company Evidence and Exhibits, Section 2.4.1: Operating Costs*, page 2-33, Table 2-7.

<sup>2</sup> Newfoundland Power renews its insurance program on July 1<sup>st</sup> each year. Consequently, insurance costs 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.

<sup>3</sup> Over the past three years, actual annual premium increases averaged approximately 10%. The forecast GDP deflator for 2024 to 2026 is an annual average increase of 1.7%. Therefore, the forecast annual increase is approximately 5.9%  $[(10\% + 1.7\%)/2 = 5.9\%]$ .

- 1 Attachment A provides AON's confirmation of the appropriateness of the Company's
- 2 insurance coverage for the 2023-2024 term.

**Aon Reed Stenhouse Inc.  
Confirmation of Appropriateness of Insurance Coverage 2023-2024 Term**

July 4<sup>th</sup>, 2023

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 2023-2024 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.**



Rob Bennett, BBA, CIP, CRM

cc. Gordon Payne