



An Exploration of Coastal and Inland Transmission and Distribution Line Coverage

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Presenters

- Michael Durning – AEGIS
- Allen Steiger – Anemos Insurance
- David Abstance – SCANA
- Bill Hillman – Guy Carpenter

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T&D Programs

- Overview and history
- Inland program
 - Michael Durning and Al Steiger
- Coastal program
 - David Abstance
- Inland and coastal T&D programs reinsurance
 - Bill Hillman
- Q&A

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Inland T&D Program

Michael Durning

Vice President – Underwriting
AEGIS Insurance Services, Inc.

Allen Steiger

Chief Underwriting Officer
Anemos Insurance Management Ltd.

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An Innovative New Approach!

- Customer outage based
- All risk coverage
- Transfers risk to rate recoverable insurance cost
- Provides financial protection when needed at an affordable price

Scope of Coverage

- Property damage
 - T&D lines, poles and towers, and pole mounted transformers
 - All located 1,000 feet or more from power plants, substations and switchyards
- Expediting expense and debris removal
 - Overtime for in-house repair crews
 - Emergency repair crews from other regions
- Named storm coverage included
 - Except for coastal states from Texas to North Carolina and Hawaii
 - Virginia to Maine available on a limited first-in basis

Major Exclusions

- Time element
- Earthquake in Alaska, California and Hawaii
- Named storm for specified coastal states only
 - Texas to North Carolina and Hawaii
 - Central and North Texas acceptance with reinsurer approval



April L. Brown / AP



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Department of Energy Outage Data

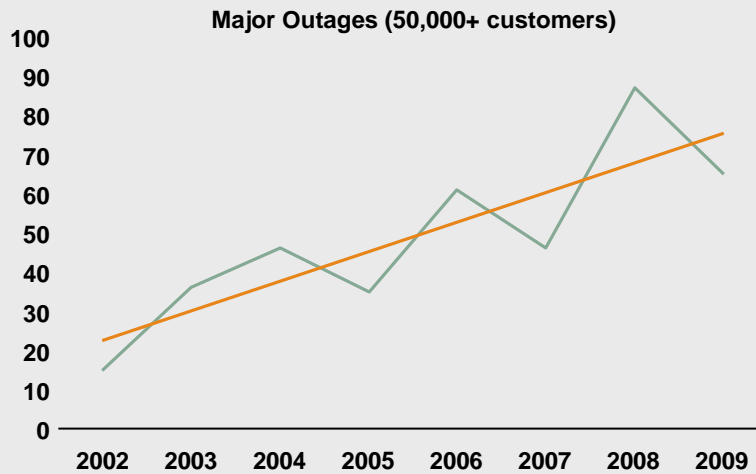
- Used to develop underwriting approach and rating
- Mandatory reporting to DOE began in 2002
- Homeland Security requirement
- 50,000 or more customers out of service for one hour
- Over 450 major outages

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Outage History

Trend is up



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Retentions for a Qualified Event

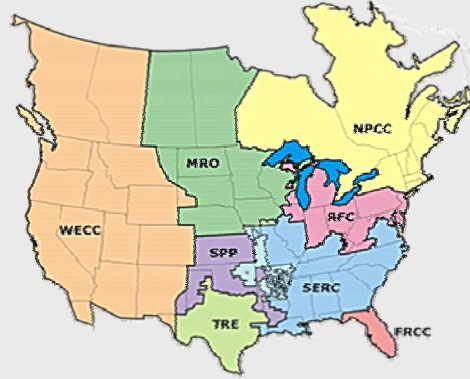
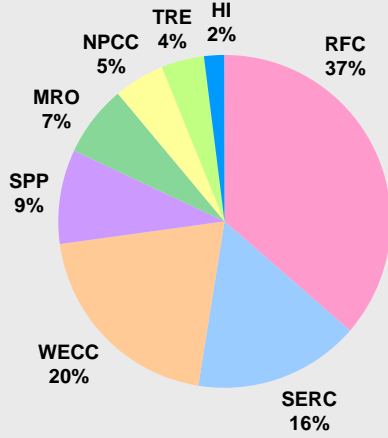
- 25% of electric customers out of service
 - Minimum 25,000 customers
 - Outages are per insured event with no minimum time
 - Designed around information already being collected
- No monetary deductible / SIR for qualified events
 - Coverage is first dollar and recovery is 100%
- Best suited for operating companies
 - Due to smaller individual qualified event triggers

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Qualified Events by Region, 2002-2009

Current NERC Regions (as of 1/1/2006)

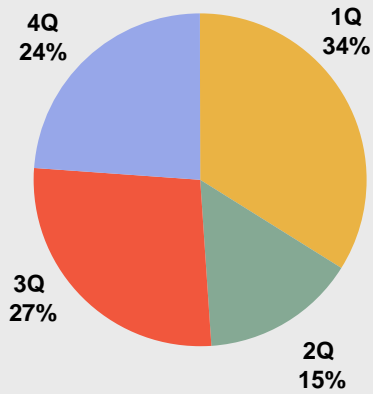


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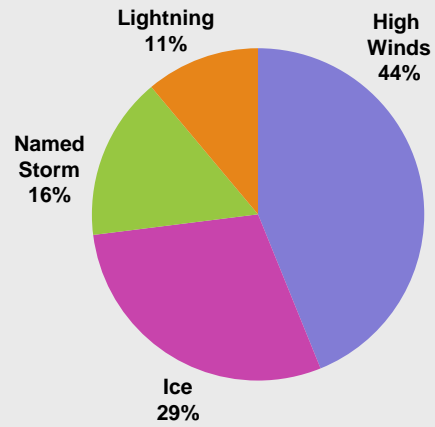
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Inland T&D Program

By Quarter



By Peril



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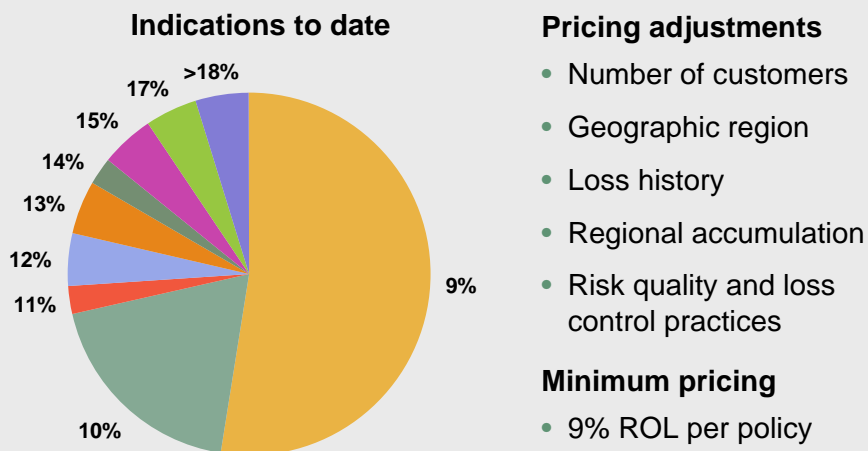
Policy Limits

- Limits
 - \$10 million annual aggregate per policy
 - Subject to membership aggregate of 50% of total aggregate policy limits written, not to exceed \$100 million
- Operating company options
 - Ability for a parent or holding company to build up separate policies at each operating company

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T&D Pricing To Date Rate on line quotes



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Timing

- Provides flexibility to follow property inception or storm season
 - Everyone gets a 12 month policy
 - Inception dates prior to June 1, 2011 share one membership aggregate on a risk attaching basis
 - Allows companies to bind coverage when they want
- Goal is to write 15 policies by June 1, 2011

Security

- This is an AEGIS product
 - With AEGIS paper, financial ratings, administration and claims
 - AEGIS participates with quality reinsurance support from Bermuda and London markets
 - Another reinsurance success from Guy Carpenter

T&D Costs

- This is not a new “spend”
- Transfers “operational risk” to “insurance risk”
- Insurance costs are included in approved rates
- Ability to fund premiums from existing storm reserves

T&D Benefits

- Greater certainty of recovery
- Insurance costs are pre-funded and recoverable
- Reduces volatility created from self retention
- Easier and faster than a “post event” rating appeal

Next Steps

- We listened to members' needs
 - AEGIS is the only market providing this cover
 - An innovative and affordable approach
 - We now seek member support
- Contact Michael Durning
 - For a pricing indication based on our DOE data
 - Final premium may vary based on submission data
 - 610.563.4216 or MichaelDurning@aegislimited.com

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Coastal T&D Program

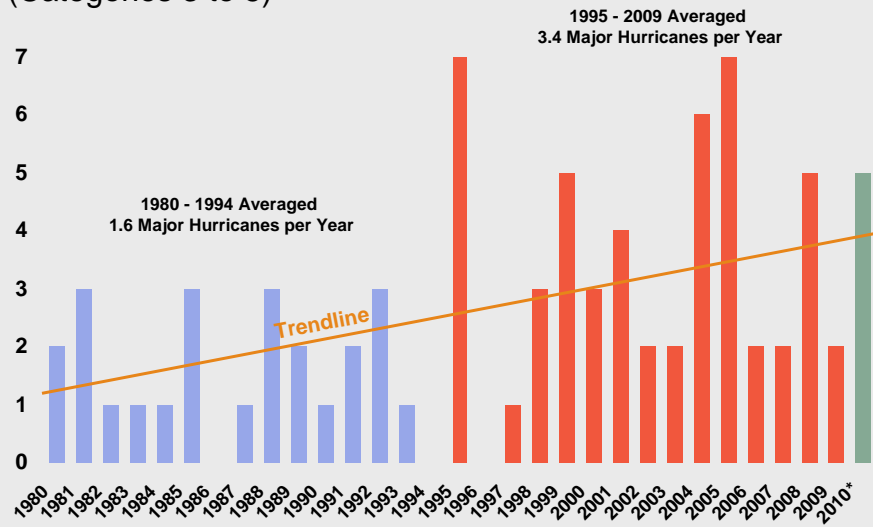
David Abstance

Manager, Corporate Insurance Dept.
SCANA

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Increased Major Hurricane Activity (Categories 3 to 5)



* Estimate per NOAA

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Coastal T&D General Terms

Insurer: EIS Captive

Subject business

- Transmission and distribution assets

Subject loss

- Cost to replace T&D assets including labor costs
- Business interruption loss excluded

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Coastal T&D General Terms

Insurer: EIS Captive

Coverage

- Lesser of actual T&D loss or modeled overhead distribution loss
 - Model limit: EQE model loss with actual storm parameters and reported overhead distribution values less retention

Claim payment

- Model run 30 days after event to determine applicable subject loss
- Provisional payment due 15 days upon presentation of initial model results; final payment to be made six months following the event including any revision by NOAA to the storm parameters used in the model

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SCANA T&D Insurance Program

2010 / 2011

\$70 million

\$100 million

Modeled Distribution Loss
OR
Actual Transmission & Distribution Loss
Whichever the lesser

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Modeled Loss Structure

Loss examples: \$70 million x \$100 million

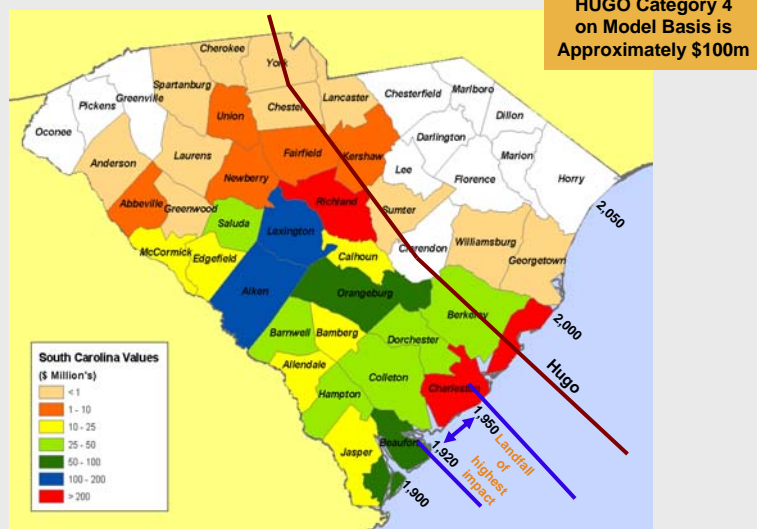
Actual Loss (Ground-UP)	Without Model Limit	With Model Limit		
		One (20% Overstated)	Two (20% Understated)	Three (100% Accurate)
Transmission	20,000,000	20,000,000	20,000,000	20,000,000
Distribution	130,000,000	130,000,000	130,000,000	130,000,000
Total T&D	150,000,000	150,000,000	150,000,000	150,000,000
Modeled Loss (Distribution Only)				
Model Loss		156,000,000	104,000,000	130,000,000
Recovery				
	50,000,000	50,000,000	4,000,000	30,000,000

Subject Loss

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Hurricane Hugo Track versus Highest Model Impact Landfall

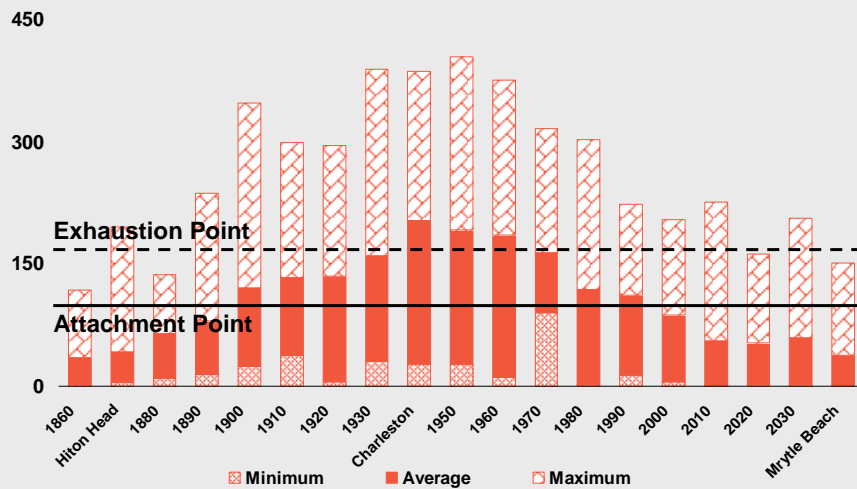


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Model Loss Coverage

Maximum - average - minimum model loss
 Cat 4 (131-155 mph) by milepost



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T&D Program Reinsurance

Bill Hillman

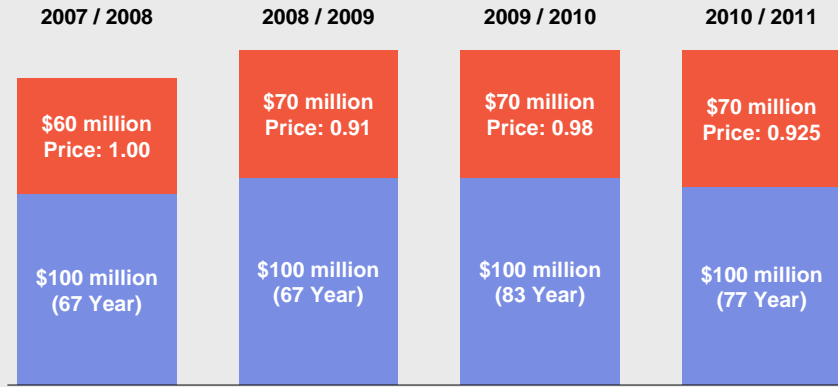
Managing Director

Guy Carpenter & Company LLC

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SCANA T&D Reinsurance Program Historic structure and pricing stable

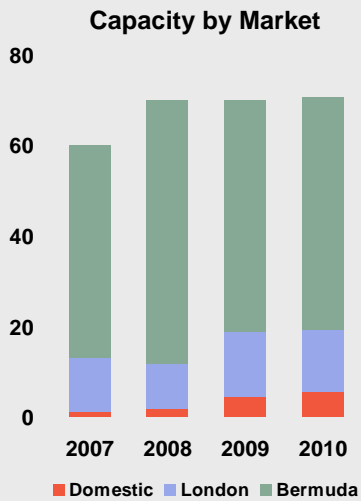


Price Index: 2007/2008 = 1.0

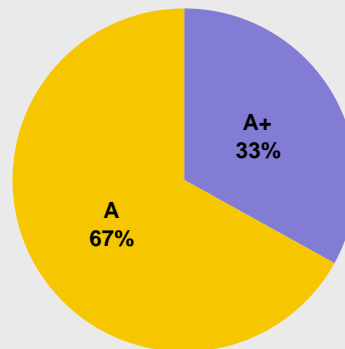
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SCANA T&D Reinsurance Markets



Capacity Security AM Best Rating



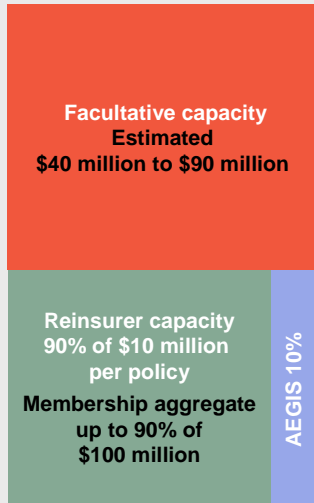
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Inland T&D Reinsurance Program

\$50 million to \$100 million

\$10 million

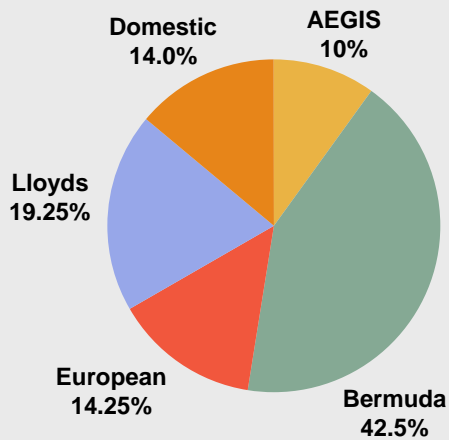


- Fac capacity drivers:
 - Low end: Northeast hurricane exposed and California EQ exposed
 - High end: Midwest and winter storm or California wind perils only
- Fac attachment
 - Follow underlying % of customer approach
 - Fixed dollar
- Membership aggregate and policy limit will expand with program growth
- Hurricane coverage can expand in Northeast in the future
- Hurricane coverage in non-coastal sections of coastal states (i.e., NW Texas) can be pursued

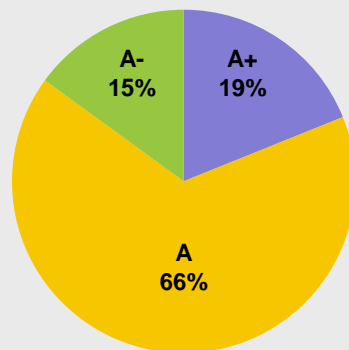
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Inland T&D Reinsurance Program Capacity by Market



Financially Strong: AM Best



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Q & A

Thank you

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