

Aqua North Carolina – Optional Guarantees Cost

October 1st, 2019 to October 1st 2020

Carrier: Chubb Insurance Group – AM Best Rating A++, XV

General Liability	Auto Liability	Workers Compensation	Total
\$995,514	\$1,015,415	\$1,104,949	\$3,115,878

Commentary

- Workers' Compensation would be structured on a deductible-retro
- If elected, other coverage would be reduced by the exposure amounts for Aqua NC currently at:
 - \$54,000,000 in revenue
 - \$12,499,061 in payroll
 - 181 autos

Aqua North Carolina, Inc.

Calculation of Insurance Expense for Aqua North Carolina
Test Year Ended September 30, 2019
Insurance Costs for 2020
W-218 Sub 526

GEARHART EXHIBIT 2 - INSURANCE CLAIMS

Exhibit B3-q-1
ORIGINAL

Line No.	Item	Total Aqua America Insurance Expense	Total Aqua NC Insurance Expense	Percentage To NC	Amount To NC	Percentage to Expense In This Case	Adjusted Insurance Expense	Capitalized	Adjustment from 2020 Ins Exp Budget
(a)	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1.	Workers compensation premium	\$547,989	\$64,084	11.69%	\$64,084	77.51% [5]	\$49,670	\$14,414	\$0
2.	Automobile premium	173,258	\$28,639	16.53%	28,639	77.51% [5]	22,197	\$6,442	\$0
3.	General liability premium	538,580	\$54,989	10.21%	54,989	100.00%	54,989	(\$0)	\$0
4.	Property insurance	1,500,179	\$143,483	9.56%	143,483	100.00%	143,483	(\$0)	\$0
5.	Umbrella premium	1,850,424	\$188,928	10.21%	188,928	100.00%	188,928	(\$0)	\$0
6.	Employee Practices/Simkiss Fees (fmr Marsh Fees)	368,338	\$37,607	10.21%	37,607	100.00%	37,607	\$0	\$0
7.	Executive risk	604,116	\$61,680	10.21%	61,680	100.00%	61,680	\$0	\$0
8.	Pollution insurance	318,340	\$18,860	5.92%	18,860	100.00%	18,860	(\$0)	\$0
9.	Cyber security	308,929	\$31,542	10.21%	31,542	100.00%	31,542	(\$0)	\$0
10.	Claims handling expense	83,253	\$10,238	12.30%	10,238	100.00%	10,238	(\$0)	\$0
11.	Total allocated costs (Sum of L1 thru L11)	6,293,406	\$640,049	10.17%	640,049		619,194	\$20,855	\$0
12.	Directly assigned costs:								\$0
13.	Workers compensation claims	1,707,698	299,588	17.54%	100,414 [4]	77.51% [5]	77,829	\$22,585	(\$199,174)
14.	Automobile claims	697,947	156,151	22.37%	57,762 [4]	77.51% [5]	44,770	\$12,982	(\$98,389)
15.	General liability claims	2,549,222	131,337	5.15%	26,585 [4]	100.00%	26,585	\$0	(\$104,752)
16.	Surety bonds	139,143	1,300	0.93%	1,326	100.00%	1,326	\$0	\$26
17.	Total insurance per Public Staff (Sum of L13 thru L16)	<u>\$11,387,416</u>	<u>\$1,228,426</u>	<u>10.79%</u>	<u>\$826,136</u>		<u>\$769,704</u>	<u>\$56,432</u>	<u>(\$402,289)</u>
		[1]	[2]	[3]	[4]		[6]	[7]	[8]

[1] From Exhibit B3-q-4, lines 11 and 22

[2] From Exhibit B3-q-4, lines 4 and 15

[3] Column c divided by column b

[4] The claims amounts on lines 13-15 are adjusted to the five-year average of claims paid (calculated in Exhibit B3-q-2, line 7)

[5] Test year utility labor expense percentage from Exhibit B1/B2-7

[6] Column e multiplied by column f to calculate final insurance expense

[7] Column 3 less column h, resulting in the amounts capitalized related to workers compensation and automobile insurance amounts

[8] Column c less less column e, resulting in the adjustment to claims expense by adjusting to the 5-year average of claims paid on Exhibit B3-q-2

SUPPLEMENTAL W-218 SUB 526

S1	Workers Compensation/Automobile/General Liability	
S2	Total Cost Allocated/Charged to Aqua NC	\$734,788 lines 1+2+3+13+14+15
S3		
S4	(from lines 12-15 above)	
S5		
S6	Directly assigned costs:	
S7	Workers compensation claims	299,588
S8	Automobile claims	156,151
S9	General liability claims	131,337
S10		<u>587,076</u>
S11		copied from above

SUPPLEMENTAL W-218 SUB 497

S15		
S16		2018
S17		Claims
S18		Insurance
S19	Directly assigned costs:	<u>Costs to NC</u>
S20	Workers compensation claims	299,588
S21	Automobile claims	156,151
S22	General liability claims	131,337
S23		<u>587,076</u>

[13] Capitalization rate as shown on NCUC Form W-1, Item 10, Exhibit B1/B2-Labor Summary, Line 17, Column (e).

SUPPLEMENTAL

	Feasel	
	Schedule 6-1	
	2020	Revised
	Claims	Claims
	Insurance	Insurance
	Expense	Expense
	77.51% [5]	232,204 78,684 (153,520)
	77.51% [5]	121,029 54,454 (66,575)
	100.00%	131,337 29,651 (101,686)
		<u>484,570 162,789 (321,781)</u>
	same as above	col c x col f
		Impact to Aqua NC Cost Recovery

Cooper
Schedule 3-39a)

	2018 Claims Insurance <u>NC Expense</u>	Revised Claims Insurance <u>Expense</u>	Reduction to Claims Insurance <u>Expense</u>
3]	236,345	72,233	(164,112)
3]	123,188	38,180	(85,008)
	131,337	25,193	(106,144)
	490,870	135,606	(355,264)

Impact to Aqua NC Cost Recovery