
The

Risk Retention Reporter

Electric Public Power PG Celebrates Its 10 Year Anniversary

Electric Public Power Insurance Consortium (EPPIC), a California-domiciled purchasing group formed in 1994 to provide a range of liability coverages to publicly owned utilities celebrates its tenth anniversary this year. EPPIC, which has grown to 34 members from a core group of seven utilities, generates over \$10 million in annual premium. Among the PG's successes over its 10 year life is a unique experience rating plan negotiated by the PG's program manager, Charlotte, North Carolina-based **EPPIC Management Services**, with the PG's long-time insurer —Bermuda-domiciled **AEGIS**, (Associated Electric & Gas Insurance Services Ltd.), which has returned almost \$9 million to PG members.

Three programs are currently available through EPPIC, — an excess liability program insured by AEGIS, with limits of \$35 million attaching above a \$500,000 deductible; a catastrophe excess liability program, which sits on top of the AEGIS excess program with limits of \$25 million excess of \$35 million insured by **Energy Insurance Mutual (EIM)**; and a directors and officers/public officials liability program insured by AEGIS, with limits of \$35 million.

EPPIC, in conjunction with AEGIS, developed the experience rating endorsement for the PG's excess liability policy beginning with the 1995 program year as a way to reward PG members for their excellent loss experience. Similar to a safety group dividend plan under workers compensation, the EPPIC policy endorsement provides for the return of up to 20 percent of the original policy premium if the PG experiences no losses. The return premium is paid over three years with the first payment payable nine months from the end of the prior policy year. All payments are made to EPPIC and then distributed to members by order of the board of governors.

Bill Brown, managing director of EPPIC Management Services, explains that the PG is not penalized if it experiences losses in a policy year, although the rates for individual members may be adjusted by AEGIS. A 10% purchasing group discount on the D&O/public officials liability insurance is available from AEGIS for those public power utilities that qualify and become members of EPPIC.

Members of the PG are public power utilities that are state, municipally, or federally owned whose predominant revenue streams are derived from electric power operations, although members can also provide other services, such as those involved with water and sewer. Revenue of PG members ranges from a high of \$2 billion to the lower end of \$50 million.

The current membership represents the larger utilities, says Brown, who has served as the program administrator for the PG since its inception. He adds that with the ever-decreasing marketplace for primary liability insurance for utilities, EPPIC is responding to fill the need voiced by public power utilities and their agents and brokers and is currently in negotiations with a specialty market to offer new programs of primary general liability insurance and primary automobile liability insurance. He says that the primary program will also be marketed to a second tier of public utilities whose revenues are typically in the lower ranges of \$10 million to \$50 million.

To join EPPIC, Brown explains, a utility or its broker typically negotiates its coverage with AEGIS and EIM, while concurrently making application to join EPPIC. An admissions committee, made up of EPPIC members, reviews the application. Utilities that join EPPIC are required to either employ a risk manager or use the services of a risk management firm in their operations. Candyce Eller, assistant managing director who works with Brown, notes that loss prevention and risk management are fundamental to the PG's success, with EPPIC annual conferences scheduling special members' only risk managers roundtable sessions. Brown says, "These sessions aim to establish best practices," adding that "Interaction among members is one of the intangible benefits of EPPIC."

EPPIC will hold its 10th year anniversary conference in Monterey, California at the Portola Plaza, from October 20-22, 2004. Brown says that representatives from insurance companies are invited to make presentations at the conference, enabling PG members and other participants, including AEGIS and EIM, to hear first-hand the state of the liability insurance marketplace for public utilities. More information on EPPIC is available at <www.eppic.org>.