



**NY Power Authority | Canal Corporation**

**MEETING OF THE BOARD OF DIRECTORS  
OF  
NYPA CAPTIVE INSURANCE COMPANY**

**PROPOSED AGENDA**

**Tuesday, July 16, 2024 at 10:30 a.m. (approximately)**

**Board of Directors: Chair John Koelmel, Dennis Trainor, Bethaida Gonzalez, Cecily Morris, Lewis Warren, Jr., Michael Cusick and Laurie Wheelock**

- 1. Adoption of the July 16, 2024 Proposed Meeting Agenda**
- 2. DISCUSSION AGENDA:**
  - a. Adoption of Corporate Resolution at Annual Meeting of the Board of Directors of the NYPA Captive Insurance Company (Andrew Negro)**
    - i. The ratification of actions of the officers since the inception of the corporation
    - ii. The annual appointment of the corporate officers, including the President and Chief Executive Officer, the Chief Financial Officer, the Secretary, and the Treasurer
    - iii. The appointment of service providers (captive manager, financial auditor, actuary, counsel)
    - iv. The adoption of the Captive current insurance program (contained in Exhibit 1)
    - v. The approval of the submittal of the audited financial report to NYS Department of Financial Services for the year ending December 31, 2023 (contained in Exhibit 2)

**3. CONSENT AGENDA:**

- a. Approval of the Joint Meeting Minutes held on May 25, 2023**

**4. NEXT MEETING**



**Date:** July 16, 2024

**To:** BOARD OF DIRECTORS OF NYPA CAPTIVE INSURANCE COMPANY

**From:** PRESIDENT AND CHIEF EXECUTIVE OFFICER OF THE NEW YORK POWER AUTHORITY AND PRESIDENT AND CHIEF EXECUTIVE OFFICER OF NYPA CAPTIVE INSURANCE COMPANY

**Subject:** Adoption of Corporate Resolution at Annual Meeting of the Board of Directors of the NYPA Captive Insurance Company

## SUMMARY

On July 16, 2024, the Board of Directors of the NYPA Captive Insurance Company (the “Captive”) will hold an annual meeting and vote on a corporate resolution which ratifies the actions of the officers since the inception of the corporation; approves the annual appointment of the officers of the corporation, including President and Chief Executive Officer, Chief Financial Officer, Secretary, and Treasurer; approves the appointment of corporate service providers; adopts the current insurance program; and accepts the audited financial report for the year ending December 31, 2023; in accordance with corporate governance and regulatory requirements.

## BACKGROUND

The Captive is utilized as a risk financing vehicle for the Authority to maximize the flexibility and effectiveness of the Authority’s insurance programs by reducing costs, stabilizing budgets and cash flow, establishing long-term relationships with risk financing partners, establishing appropriate risk retention levels using state-of-the-art analytical techniques, establishing appropriate limits, providing insurance for uninsurable or hard to insure risks, and providing a vehicle for effective tactical and strategic use of insurance and risk financing and transfer.

It is expected that the Authority’s casualty and liability insurance programs will ultimately be written and administered through the Captive, including but not limited to Excess Liability, Protective Liability, Property Coverage, Property Sabotage & Terrorism, Cyber Liability; Automobile Liability, Premises Liability, and Owner Controlled Insurance Programs for General Liability and Builder’s Risk coverage for projects financed through the Authority’s capital programs.

Chapter 193 of the Laws of 2022, enacted May 9, 2022, authorized the Authority and any statutory subsidiary thereof to form a pure captive insurance company. At a meeting held on September 29, 2022, the Authority’s Board of Trustees approved the formation of a subsidiary corporation called the NYPA Captive Insurance Company, and the Authority filed its application for a license with the New York State Department of Financial Services (the “DFS”). On May 2, 2023, the DFS issued the Certificate of Incorporation for the Captive, and the Captive’s Board of Directors held an organization meeting on May 25, 2023. On May 25, 2023, the Authority also contributed \$250,000 as its initial capital contribution to the Captive. An additional \$99,750,000 of capital contribution was made on August 8, 2023, bringing the total contribution to \$100 million. The DFS issued the requisite license to operate to the Captive on July 25, 2023.

On September 1, 2023, the Captive initially underwrote a TRIA Certified NBCR (Nuclear, Biological, Chemical, Radiological & Cyberterrorism) Terrorism policy with an aggregate limit of \$500 million, which policy has a federal backstop, as well as a property deductible reimbursement line in the amount of \$5 million per

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occurrence. On November 1, 2023, the coverage limit for the property deductible reimbursement line was increased to \$10 million per occurrence. On January 1, 2024, the Captive underwrote a cyber deductible reimbursement line in the amount of \$5 million per occurrence. On June 15, 2024, the Captive also underwrote a general liability deductible reimbursement line in the amount of \$4.8 million per occurrence with a \$200,000 deductible.

## DISCUSSION

The Board of Directors of the NYPA Captive Insurance Company must hold an annual meeting of the NYPA Captive Insurance Company in accordance with its by-laws and applicable NYS law.

At such time the Board of directors will vote on a corporate resolution, which provides for the ratification of actions of the officers since the inception of the corporation; the annual appointment of the officers of the corporation, including President and Chief Executive Officer, Chief Financial Officer, Secretary, and Treasurer; the appointment of corporate service providers; the adoption of the current insurance program; and the acceptance of the audited financial report for the year ending December 31, 2023.

## FISCAL INFORMATION

The formation of the Captive will ultimately have a positive fiscal impact on the Authority as it is expected, amongst other things, to reduce the Authority's insurance program premiums and costs, provide a vehicle for effective tactical and strategic use of insurance and risk financing and transfer, and provide access to the federal government's terrorism risk program created under the Terrorism Risk Insurance Act which provides a federal backstop for 80% of covered losses.

## RECOMMENDATION

The Executive Vice President and Chief Financial Officer of the Authority and Chief Financial Officer of the Captive has requested that the Board of Directors of the NYPA Captive Insurance Company hold an annual meeting of the NYPA Captive Insurance Company and approve a corporate resolution at such time.

For the reasons stated, I recommend the approval of the above-requested action by adoption of the resolution below.

Justin E. Driscoll  
President and Chief Executive Officer  
of the Authority  
President and Chief Executive Officer of NYPA Captive  
Insurance Company

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**RESOLUTION**  
**OF THE**  
**MEMBERS OF THE BOARD OF DIRECTORS OF NYPA CAPTIVE INSURANCE COMPANY**  
**(the "Corporation")**

**ACTIONS OF OFFICERS**

**RESOLVED**, that all actions of the officers since the inception of the Corporation are hereby approved and ratified.

**APPOINTMENT OF OFFICERS**

**RESOLVED**, that the following persons be appointed to the offices set out below, to hold such office for the ensuing year and until their successors are elected and qualified, except as otherwise provided in the Bylaws:

<b><u>Name</u></b>	<b><u>Office</u></b>
Justin Driscoll	Chief Executive Officer and President
Adam Barsky	Chief Financial Officer
Andrew Negro	Secretary
Jose Yandon	Treasurer

**APPOINTMENT OF SERVICE PROVIDERS**

**RESOLVED**, that the Corporation ratifies and approves the appointment of Marsh Management Services Inc. as captive manager; KPMG LLP as financial auditor for the year ending December 31, 2024; Marsh Management Services Inc. as actuary for the years ending December 31, 2024 and 2025; and Dentons Bingham Greenebaum LLP and Orrick, Herrington & Sutcliffe, LLP, as attorneys, for continuing work on such terms as the officers believe is in the best interest of the Corporation.

**CURRENT INSURANCE PROGRAM**

**RESOLVED**, that the current insurance program of the Corporation, a copy of which is attached hereto as Exhibit 1, is hereby approved and adopted.

**FINANCIAL STATEMENTS**

**RESOLVED**, that the Board of Directors does hereby accept the audited financial report for the year ending December 31, 2023, a copy of which is attached hereto as Exhibit 2.

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**NYPA Captive Insurance Company  
Business Plan  
As of July 16, 2024**

Exhibit 1  
July 16, 2024

<b>TYPE OF COVERAGE</b>	<b>POLICY PERIOD</b>	<b>POLICY LIMITS</b>	<b>PREMIUM</b>
Property Deductible Reimbursement	November 1, 2023 to November 1, 2024	\$10 million each occurrence/no aggregate	1,365,127
Nuclear, Biological, Chemical, & Radiological Terrorism	November 1, 2023 to November 1, 2024	\$500 million per occurrence & in aggregate	3,937,500
Cybersecurity Deductible Reimbursement	January 1, 2024 to January 1, 2025	\$5 million each occurrence & in aggregate	227,500
General Liability Deductible Reimbursement	June 15, 2024 to June 15, 2025	\$4.8 million per occurrence & in aggregate/\$200k deductible	1,700,000



KPMG LLP  
345 Park Avenue  
New York, NY 10154-0102

## Independent Auditors' Report

Board of Directors  
NYPA Captive Insurance Company:

### *Opinion*

We have audited the financial statements of the NYPA Captive Insurance Company (the Company), a component unit of the New York Power Authority, as of December 31, 2023, and for the period from July 25, 2023 (commencement of operations) to December 31, 2023 and the related notes to the financial statements, which collectively comprise the Company's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2023, and the changes in its financial position and its cash flows for the period from July 25, 2023 (commencement of operations) to December 31, 2023 in accordance with U.S. generally accepted accounting principles.

### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### *Auditors' Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.



In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Required Supplementary Information*

U.S. generally accepted accounting principles require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*KPMG LLP*

New York, New York  
June 28, 2024





KPMG LLP  
345 Park Avenue  
New York, NY 10154-0102

The Board of Directors  
NYPA Captive Insurance Company

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements prepared in accordance with U.S. generally accepted accounting principles of NYPA Captive Insurance Company (the Company) for the period from July 25, 2023 (commencement of operations) to December 31, 2023, and have issued our report thereon dated June 28, 2024. In connection therewith, we advise you as follows:

- a. We are independent certified public accountants with respect to the Company and conform to the standards of the accounting profession as contained in the Code of Professional Conduct and pronouncements of the American Institute of Certified Public Accountants, and the Rules of Professional Conduct of the New York State Board for Public Accountancy.
- b. The engagement partner and engagement manager, who are certified public accountants, have 21 years and 10 years, respectively, of experience in public accounting and are experienced in auditing insurance enterprises. Members of the engagement team, most of whom have had experience in auditing insurance enterprises and 86 percent of whom are certified public accountants, were assigned to perform tasks commensurate with their training and experience.
- c. We understand that the Company intends to file its audited financial statements and our report thereon with the New York State Department of Financial Services and other state insurance departments in states in which the Company is licensed, and that the insurance commissioners of those states will be relying on that information in monitoring and regulating the financial condition of the Company.

While we understand that an objective of issuing a report on the financial statements is to satisfy regulatory requirements, our audit was not planned or conducted to satisfy all objectives or responsibilities of insurance regulators. In this context, the Company and the insurance commissioners should understand that the objective of an audit of financial statements in accordance with auditing standards generally accepted in the United States of America is to form an opinion and issue a report on whether the financial statements present fairly, in all material respects, the financial position, results of operations and cash flow in conformity with U.S. generally accepted accounting principles. Consequently, under auditing standards generally accepted in the United States of America, we have the responsibility, within the inherent limitations of the auditing process, to plan and perform our audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud, and to exercise due professional care in the conduct of the audit. The concept of selective testing of the data being audited, which involves judgment both as to the number of transactions to be audited and the areas to be tested, has been generally accepted as a valid and sufficient basis for an auditor to express an opinion on financial statements. Audit procedures that are effective for detecting errors, if they exist, may be ineffective for detecting misstatements resulting from fraud. Because of the characteristics of fraud, particularly those involving concealment (including collusion, falsified documentation, and forgery), a properly planned and performed audit may not detect a material misstatement resulting from fraud. In addition, an audit does not address the possibility that material errors or misstatements caused by fraud may occur in the future. Also, our use of professional judgment and the assessment of materiality for the purpose of our audit means that matters may exist that would have been assessed differently by insurance commissioners.

It is the responsibility of the management of the Company to adopt sound accounting policies, to maintain an adequate and effective system of accounts, and to establish and maintain internal control that will, among other things, provide reasonable, but not absolute, assurance that assets are safeguarded against loss from



The Board of Directors  
NYPA Captive Insurance Company  
June 28, 2024  
Page 2 of 2

unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles.

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

The Insurance Commissioners should exercise due diligence to obtain whatever other information that may be necessary for the purpose of monitoring and regulating the financial position of insurers and should not rely solely upon the independent auditors' report.

- d. We will retain the workpapers (including those kept in a hard copy or electronic medium) prepared in compliance with professional standards, for six calendar years from the date of the audit report or until after the New York State Department of Financial Services has filed a Report of Examination covering 2023, whichever is longer. The definition of workpapers includes "any communications between us and the Company related to our audit of the Company". After notification to the Company, we will make the workpapers available for review by the New York State Department of Financial Services or its delegates (as permitted by law or regulation), at the offices of the Company, at our offices, at the Insurance Department, or at any other reasonable place designated by the Insurance Commissioner. Furthermore, in the conduct of the aforementioned periodic review by the New York State Department of Financial Services, photocopies or electronic equivalents of pertinent audit workpapers may be made (under the control of the accountant) and such copies may be retained by the New York State Department of Financial Services. In addition, to the extent requested, we may provide the New York State Department of Financial Services with electronic copies of certain of our audit working papers (such as unlocked electronic copies of Excel spreadsheets) that do not contain password protection or encryption. As such, these copies of our audit working papers will be subject to potential modification by the New York State Department of Financial Services or by others. We are not responsible for any modifications made to the copies, electronic or otherwise, after they are provided to the New York State Department of Financial Services and we are likewise not responsible for any effect that any such modifications, whether intentional or not, might have on the process, substance, or outcome of your regulatory examination.
- e. The engagement partner has served in that capacity with respect to the Company since 2023, is licensed by the New York State Board for Public Accountancy, and is a member in good standing of the American Institute of Certified Public Accountants.

This letter is intended solely for the information and use of the Board of Directors and management of the Company and the New York State Department of Financial Services and other state insurance departments in states in which the Company is licensed and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

**KPMG LLP**

New York, New York  
June 28, 2024



KPMG LLP  
345 Park Avenue  
New York, NY 10154-0102

The Board of Directors  
NYPA Captive Insurance Company

Ladies and Gentlemen:

In planning and performing our audit of the financial statements of NYPA Captive Insurance Company (the Company) prepared in accordance with U.S. generally accepted accounting principles as of and for the year ended December 31, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be unremediated material weaknesses. However, unremediated material weaknesses may exist that have not been identified.

This communication is intended solely for the information and use of the Board of Directors and management of the Company and the New York State Department of Financial Services and other state insurance departments in states in which the Company is licensed and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

**KPMG LLP**

New York, New York  
June 28, 2024

The engagement partner, Meredith Kane, has served in that capacity with respect to the Company since 2023.

# NYPA Captive Insurance Company

(A Component Unit of the New York Power Authority)

Financial Statements

As of December 31, 2023 and for the period from  
July 25, 2023 (commencement of operations) to  
December 31, 2023

(With Independent Auditor's Report Thereon)

**NYPA CAPTIVE INSURANCE COMPANY**  
**(A Component Unit of the New York Power Authority)**

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KPMG LLP  
345 Park Avenue  
New York, NY 10154-0102

## Independent Auditors' Report

Board of Directors  
NYPA Captive Insurance Company:

### *Opinion*

We have audited the financial statements of the NYPA Captive Insurance Company (the Company), a component unit of the New York Power Authority, as of December 31, 2023, and for the period from July 25, 2023 (commencement of operations) to December 31, 2023 and the related notes to the financial statements, which collectively comprise the Company's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2023, and the changes in its financial position and its cash flows for the period from July 25, 2023 (commencement of operations) to December 31, 2023 in accordance with U.S. generally accepted accounting principles.

### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### *Auditors' Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.



In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Required Supplementary Information*

U.S. generally accepted accounting principles require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*KPMG LLP*

New York, New York  
June 28, 2024

## **NYPA CAPTIVE INSURANCE COMPANY** **(A Component Unit of the New York Power Authority)**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

(In thousands, except as noted)

Legislation enacted in May of 2022 (Chapter 193 of the Laws of 2022) amended the State insurance law to provide the New York Power Authority ("NYPA") with the legal authority to form a pure captive insurance company enabling NYPA to effectively provide coverage for risks not insurable on the traditional commercial markets, or prohibitively expensive to insure through the commercial markets and to provide NYPA with related tax exemptions.

On September 29, 2022, NYPA's Board of Trustees approved the formation of a subsidiary corporation called the NYPA Captive Insurance Company (the "Company"), and NYPA filed its application for a license with the New York State Department of Financial Services (the "DFS"). On May 2, 2023, the DFS issued the Certificate of Incorporation for the Company, and the Company's Board of Directors held an organization meeting on May 25, 2023. On May 25, 2023, NYPA also contributed \$250 as its initial capital contribution to the Company. An additional \$99,750 of capital contribution was made on August 8, 2023 bringing the total contribution to \$100,000. The DFS issued the requisite license to operate to the Company on July 25, 2023.

On September 1, 2023, the Company initially underwrote a TRIA Certified NBCR (Nuclear, Biological, Chemical, Radiological & Cyberterrorism) Terrorism policy with an aggregate limit of \$500,000, which policy has a federal backstop, as well as a property deductible reimbursement line in the amount of \$5,000 per occurrence. On November 1, 2023, the coverage limit for the property deductible reimbursement line was increased to \$10,000 per occurrence. On January 1, 2024 the Company underwrote a cyber deductible reimbursement line in the amount of \$5,000 per occurrence. On June 15, 2024, the Company also underwrote a general liability deductible reimbursement line in the amount of \$4,800 per occurrence with a \$200 deductible.

NYPA expects that the Company's activity will result in cost savings to NYPA by reducing the need for commercial insurance and creating an efficient and effective claims handling process which will further enable NYPA to manage its overall risk more effectively and economically.

The Company's financial statements are presented in accordance with U.S. generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board. The financial statements comprise the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; the Statement of Cash Flows; and the Notes to the Basic Financial Statements. The Statement of Net Position presents the financial position of the Company at the end of the fiscal years presented and include all of its assets and liabilities. Net position represents the difference between assets and liabilities. The Statement of Revenues, Expenses, and Changes in Net Position presents the revenues earned and the expenses incurred during the fiscal year. Activities are classified as either operating, non-operating, or other. Revenues received and expenses incurred as a result of the Company providing goods and services to its customers are considered operating activities. Non-operating revenues are those received for which goods and services are not directly provided.



NYPA CAPTIVE INSURANCE COMPANY  
(A Component Unit of the New York Power Authority)

STATEMENT OF NET POSITION

(In thousands)

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	December 31, 2023
Assets	
Current Assets:	
Cash and cash equivalents	\$ 30,652
Investments	73,818
Premiums receivable due from affiliate	5,303
Interest income receivable	<u>445</u>
Total assets	<u>\$ 110,218</u>
Liability and Net Position	
Current Liabilities:	
Unearned premiums	\$ 4,421
Accrued expenses	<u>29</u>
Total liabilities	<u>4,450</u>
Net position	<u>105,768</u>
Total liabilities and net position	<u>\$ 110,218</u>

See accompanying notes to financial statements.

NYPA Captive Insurance Company  
(A Component Unit of the New York Power Authority)

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
PERIOD FROM JULY 25, 2023 (COMMENCEMENT OF OPERATIONS) THROUGH DECEMBER 31, 2023  
(In thousands)

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	Period Ended December 31, 2023
Operating Revenues:	
Gross premiums written	\$ 6,039
Change in unearned premiums	<u>(4,421)</u>
Total operating revenues	<u>1,618</u>
Operating expenses:	
General and administrative	<u>74</u>
Total operating expenses	<u>74</u>
Operating income	<u>1,544</u>
Nonoperating revenue and gains:	
Net investment income	<u>4,224</u>
Total nonoperating revenue and gains	<u>4,224</u>
Net income	<u>5,768</u>
Other change in net position:	
Capital contributions	<u>100,000</u>
Change in net position	105,768
Net position—Beginning of period	<u>-</u>
Net position —End of period	<u><u>\$ 105,768</u></u>

See accompanying notes to financial statements.

NYPA CAPTIVE INSURANCE COMPANY  
(A Component Unit of the New York Power Authority)

STATEMENT OF CASH FLOWS  
PERIOD FROM JULY 25, 2023 (COMMENCEMENT OF OPERATIONS) THROUGH DECEMBER 31, 2023  
(In thousands)

	Period ended December 31, 2023
Cash flows from operating activities:	
Premiums and other receipts	\$ 736
Disbursements for:	
General and administrative expenses	<u>(45)</u>
Cash provided by operating activities	<u>691</u>
Cash flows from capital financing activities	
Capital contribution	<u>100,000</u>
Net cash provided by capital and related financing activities	<u>100,000</u>
Cash flows from investing activities	
Purchases of investments	(71,608)
Interest income	<u>1,569</u>
Net cash used by investing activities	<u>(70,039)</u>
Net increase in cash and cash equivalents	30,652
Cash and cash equivalents—beginning of period	<u>-</u>
Cash and cash equivalents—end of period	<u><u>30,652</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	1,544
Adjustments to reconcile to net cash used in operating activities:	
Net increase in accrued expenses and other liabilities	4,450
Net increase in receivables	<u>(5,303)</u>
Net cash provided by operating activities	<u>\$ 691</u>
Noncash investing and financing activities	
Unrealized gain on investments	\$ 2,209

See accompanying notes to financial statements.

# **NYPA CAPTIVE INSURANCE COMPANY**

## **(A Component Unit of the New York Power Authority)**

### **NOTES TO FINANCIAL STATEMENTS**

**AS OF DECEMBER 31, 2023 AND FOR THE PERIOD FROM JULY 25, 2023 (COMMENCEMENT OF OPERATIONS) TO DECEMBER 31, 2023**

**(In thousands, except as noted)**

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#### 1. BASIS OF PRESENTATION

Reporting Entity—NYPA Captive Insurance Company (the “Company”), a component unit of the New York Power Authority (“NYPA”), was incorporated under the laws of the State of New York (the “State”) as a pure captive insurance company on May 2, 2023, and commenced operations on July 25, 2023. The Company was formed to enable NYPA to continue to more effectively monitor its overall insurance losses and expenses, formalize funding mechanism, means to reduce dependency on the commercial market over time and explore various reinsurance options to further reduce the overall cost of insurance for the company.

The New York captive insurance statute requires a \$250 minimum unimpaired paid-in-capital and surplus be maintained by a pure captive insurance company. The Company was initially funded with a cash contribution from NYPA in May 2023 for \$250. In August 2023, NYPA made an additional contribution of \$99,750. These contributions consist of \$100 in share capital and \$99,900 in additional paid-in capital.

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Presentation —The accompanying basic financial statements are prepared on the accrual basis of accounting using the economic resources measurements focus and in accordance with U.S. generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board (GASB). Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

The company is reported as a special-purpose government engaged in business-type activities.

Use of Management’s Estimates—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ significantly from those estimates.

Cash and Cash Equivalents and Highly Liquid Investments with a maturity of three months or less when purchased. Cash equivalents are stated at amortized cost, which approximates fair value. Cash of \$250 is restricted and recorded within cash and cash equivalents on the statement of net position.

Investments—Investments are recorded in the statement of net position at fair value, using quoted market prices. All investment income, including changes in the fair value of investments, is reported as non-operating revenue in net investment income on the statement of revenues, expenses and changes in net position.

**NYPA CAPTIVE INSURANCE COMPANY**  
**(A Component Unit of the New York Power Authority)**

**NOTES TO FINANCIAL STATEMENTS**

**AS OF DECEMBER 31, 2023 AND FOR THE PERIOD FROM JULY 25, 2023 (COMMENCEMENT OF OPERATIONS) TO DECEMBER 31, 2023**

**(In thousands, except as noted)**

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Net Position – Net position is classified as follows:

Restricted net position – nonexpendable consists of resources held to satisfy Article 70 § 7004 (1) of the New York Insurance Law, which requires that captive insurance companies maintain \$250 of unimpaired paid-in capital and surplus.

Unrestricted net position represents resources available to the Company for operations.

A summary of net position is as follows:

	December 31, 2023 (in thousands)
Restricted - nonexpendable	\$ 250
Unrestricted	105,518
Total Net Position	\$ 105,768

Operating and Non-Operating Revenue and Expenses

Operating Revenues

*Premiums*—Earned premiums are determined over the term of their related policies, which approximates one year. Accordingly, an unearned premium liability is established for the portion of premiums written applicable to the unexpired period of policies in force. The Company does not directly pay premium taxes in accordance with its relationship with New York State.

Operating Expenses

*Loss and Loss Adjustment Expenses*—Loss and loss adjustment expenses are established for amounts estimated to settle incurred losses on individual cases and estimates for losses incurred but not reported.

Loss and loss adjustment expenses are based on loss estimates for individual claims and actuarial estimates and, therefore, the ultimate liabilities may vary from such estimates. Any adjustments to these estimates, which could be significant, will be reflected in income in the period in which the estimates are changed or payments are made. The Company currently does not have any loss and loss adjustment expenses as no claims have been submitted to the Company.

*Non-Operating Revenues and Expenses*—Investment income and unrealized gain (loss) on investments account for the Company's non-operating revenues and expenses.

**NYPA CAPTIVE INSURANCE COMPANY**  
**(A Component Unit of the New York Power Authority)**

**NOTES TO FINANCIAL STATEMENTS**

**AS OF DECEMBER 31, 2023 AND FOR THE PERIOD FROM JULY 25, 2023 (COMMENCEMENT OF OPERATIONS) TO DECEMBER 31, 2023**

**(In thousands, except as noted)**

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Income Taxes—The Company is not subject to income taxes arising on profits since it is a component unit of NYPA. NYPA and its subsidiaries are exempt from federal and state income taxes.

**3. CASH AND INVESTMENTS**

Investment of the Company's funds is administered in accordance with the applicable provisions of the Company's Insurance Investment Policy Statement. These guidelines comply with the New York State Comptroller's investment guidelines for public authorities and were adopted pursuant to Section 2925 of the New York Public Authorities Law.

**(a) Investment Credit Risk**

The Company's investments under the Company's Insurance Investment Policy Statement for the Investment of Funds are restricted to (a) authorized collateralized certificates of deposit, Certificate of Deposit Account Registry Service ("CDARS") program or similar FDIC-insured, reciprocal products, time deposits and money market funds, (b) direct obligations of or obligations guaranteed by the United States of America or the State of New York, (c) obligations issued or guaranteed by certain specified federal agencies and any agency controlled by or supervised by and acting as an instrumentality of the United States government, and (d) obligations of any state or any political subdivision thereof or any agency, instrumentality or local government unit of any such state or political subdivision, (e) Repurchase and reverse repurchase agreements ("Repurchase Agreements"), including "gestation" repurchase agreements of treasury or agency-backed collateral with a physical trust certificate from a FINRA-licensed broker dealer, and (f) Guaranteed Investment Contracts or GIC Funds issued by creditworthy insurance companies and collateralized by issuer's general or separate account assets. The Authority's investments in the senior debt securities of Federal National Mortgage Association (FNMA), Federal Home Loan Bank (FHLB), Federal Farm Credit Bank (FFCB) Federal Agricultural Mortgage Corporation (FAMC) and Federal Home Loan Mortgage Corporation (FHLMC) were rated Aaa by Moody's Investors Services (Moody's), AAA by Fitch Ratings (Fitch) and AA+ by Standard & Poor's (S&P).

Further, the Company can invest in Collateralized Loan Obligations ("CLOS") with a rating of AA or higher; Corporate equity investments in domestic common and preferred stocks and publicly traded REIT funds; and Mortgage-backed securities and Collateralized Mortgage Obligations with a rating of AA or higher.

**(b) Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the investment.

**NYPA CAPTIVE INSURANCE COMPANY**  
**(A Component Unit of the New York Power Authority)**

**NOTES TO FINANCIAL STATEMENTS**

**AS OF DECEMBER 31, 2023 AND FOR THE PERIOD FROM JULY 25, 2023 (COMMENCEMENT OF OPERATIONS) TO DECEMBER 31, 2023**

**(In thousands, except as noted)**

(a) Concentration of Investment Credit Risk

The Company's Insurance Investment Policy Statement details the limits that the portfolio may be invested in any one security or issuer. At December 31, 2023, the Company's total investment portfolio of \$73,818, consists of investments of \$13,076 (17.7%), \$10,048 (13.6%), \$7,939 (10.8%), \$22,991 (31.1%) and \$19,764 (26.8%) in securities of FHLMC, FHLB, GNMA, municipal debt securities and all other (collateralized mortgage obligations), respectively.

All investments are held by designated custodians in the name of the Company. The Federal Deposit Insurance Corporation insures cash balances up to \$250 per depositor, per bank. As of December 31, 2023, cash in the bank amounted to approximately \$251 of which, approximately \$1 was uninsured. In addition, the Company had \$30,401 invested in money market funds.

Cash and Investments of the Company

(In thousands)

December 31, 2023

Cash and investments

Cash and cash equivalents	<u>\$ 30,652</u>
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Other debt securities:

FHLMC	13,076
FHLB	10,048
GNMA	7,939
Municipal	22,991
All other	19,764

Total investments	<u>73,818</u>
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Total cash and investments	<u><u>\$ 104,470</u></u>
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Summary of maturities (years)

	Years to Maturity				Total
	0-1	1-5	5-10	10+	
FHLMC	\$ -	\$ -	\$ 13,076	\$ -	\$ 13,076
FHLB	-	-	10,048	-	10,048
GNMA	-	-	-	7,939	7,939
Municipal	-	-	20,640	2,351	22,991
All other	-	-	9,980	9,784	19,764
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 53,744</u>	<u>\$ 20,074</u>	<u>\$ 73,818</u>

**NYPA CAPTIVE INSURANCE COMPANY**  
**(A Component Unit of the New York Power Authority)**

**NOTES TO FINANCIAL STATEMENTS**

**AS OF DECEMBER 31, 2023 AND FOR THE PERIOD FROM JULY 25, 2023 (COMMENCEMENT OF OPERATIONS) TO DECEMBER 31, 2023**

**(In thousands, except as noted)**

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Fair Value Measurements

GASB Statement No. 72 establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity's assumptions about how market participants would value the financial instrument.

The fair value hierarchy prioritizes the inputs used to measure fair value into three broad Levels (Levels 1, 2, and 3), moving from quoted prices in active markets in Level 1 to unobservable inputs in Level 3. The categorization of a financial instrument within the fair value hierarchy is based upon pricing transparency and is not necessarily an indication of the Company's perceived risk of that financial instrument.

The following describes the fair value hierarchy of inputs used by the Company to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

- Level 1 – quoted prices for identical assets or liabilities in active markets that the Company can access at the measurement date.
- Level 2 – quoted prices other than quoted prices included within Level 1 and other inputs that are observable for an asset or liability, either directly or indirectly.
- Level 3 – pricing inputs are unobservable for the asset or liability and may rely on inputs using the best available data under the circumstances, including the Company's own data.

The following describes the valuation methodologies used by the Company for assets and liabilities measured at fair value:

- U.S. government agencies and instrumentalities – The fair value of government agencies and instrumentalities are based on institutional bond quotes and evaluations based on various market and industry inputs (FHLMC, FHLB & GNMA).
- Municipal bonds – The fair value of municipal bonds are based on institutional bond quotes and evaluations based on various market and industry inputs.



**NYPA CAPTIVE INSURANCE COMPANY**  
**(A Component Unit of the New York Power Authority)**

**NOTES TO FINANCIAL STATEMENTS**

**AS OF DECEMBER 31, 2023 AND FOR THE PERIOD FROM JULY 25, 2023 (COMMENCEMENT OF OPERATIONS) TO DECEMBER 31, 2023**

**(In thousands, except as noted)**

The following tables summarize the Company's outstanding assets, of which there are no Level 3, within the fair value hierarchy at December 31, 2023:

<u>December 31, 2023</u>	Fair Value Measurements (in thousands)			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>Assets</u>				
Cash and cash equivalents	\$ 30,652	\$ 30,652	\$ -	\$ -
Federal Agency securities				
FHLMC	13,076	-	13,076	-
FNLB	10,048	-	10,048	-
GNMA	7,939	-	7,939	-
Municipal	22,991	-	22,991	-
All Other	19,764	-	19,764	-
Total assets at fair value	<u>\$ 104,470</u>	<u>\$ 30,652</u>	<u>\$ 73,818</u>	<u>\$ -</u>

Credit Risk – At December 31, 2023, the following credit quality rating has been assigned by a nationally recognized rating organization (in thousands).

<u>December 31, 2023</u>	Quality Rating			
	<u>AAA</u>	<u>AA+</u>	<u>AA</u>	<u>Total</u>
FHLMC	\$ -	\$ 13,076	\$ -	\$ 13,076
FNLB	-	10,048	-	10,048
GNMA	-	7,939	-	7,939
Municipal	4,935	8,651	9,405	22,991
All Other	-	19,764	-	19,764
	<u>\$ 4,935</u>	<u>\$ 59,478</u>	<u>\$ 9,405</u>	<u>\$ 73,818</u>

**4. INSURANCE ACTIVITY**

Property Program—Effective September 1, 2023, the Company began writing a direct property deductible reimbursement policy indemnifying NYPA. The indemnification policy is written to cover NYPA's obligation under an existing large deductible policy. The Company reimburses NYPA up to \$5,000 each occurrence with no aggregate. On November 1, 2023 the policy renewed with the limit being increased to \$10,000 each occurrence with no aggregate.

**NYPA CAPTIVE INSURANCE COMPANY**  
**(A Component Unit of the New York Power Authority)**

**NOTES TO FINANCIAL STATEMENTS**

**AS OF DECEMBER 31, 2023 AND FOR THE PERIOD FROM JULY 25, 2023 (COMMENCEMENT OF OPERATIONS) TO DECEMBER 31, 2023**

**(In thousands, except as noted)**

Terrorism Program— Effective September 1, 2023, the Company began offering insurance coverage for Nuclear, Biological, Chemical, or Radiological terrorism (NBCR) to NYPA. This coverage protects against certified terrorism losses as defined by the Terrorism Risk Insurance Act of 2002 (TRIA) and its subsequent extensions until 2027. TRIA establishes a system of shared compensation between the public and private sectors for insured losses resulting from certified acts of terrorism. TRIA protection is only activated if there is a certified act of terrorism and the losses exceed an industry insured loss trigger, which is set at \$200,000 until 2027. The coverage provided by the Company is eligible for co-insurance protection under TRIA, which is set at 80% until 2027. This co-insurance protection is provided by the U.S. Treasury, subject to a deductible equal to 20% of the Company's prior year direct earned premiums. The Company's liability for any one Certified Act of Terrorism is limited to its proportion of \$500,000 per occurrence and in aggregate.

(in thousands)

	Premiums Written 2023	Premiums Earned 2023
Property	\$ 1,478	\$ 339
Terrorism	4,561	1,279
Total	<u>\$ 6,039</u>	<u>\$ 1,618</u>

**5. RELATED PARTY TRANSACTIONS**

The Company provides insurance coverage for NYPA. The premium revenue from NYPA during the period and receivable for the years ended December 31, 2023 was as follows (in thousands):

	<b>2023</b>	
	<b>Receivable</b>	<b>Earned</b>
NYPA	\$ 5,303	\$ 1,618
	<u>\$ 5,303</u>	<u>\$ 1,618</u>

Furthermore, NYPA made capital contributions amounting to \$250 and \$99,750. These contributions consist of \$100 in share capital and \$99,900 in additional paid-in capital.

**NYPA CAPTIVE INSURANCE COMPANY**  
**(A Component Unit of the New York Power Authority)**

**NOTES TO FINANCIAL STATEMENTS**

**AS OF DECEMBER 31, 2023 AND FOR THE PERIOD FROM JULY 25, 2023 (COMMENCEMENT OF OPERATIONS) TO DECEMBER 31, 2023**

**(In thousands, except as noted)**

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6. COMMITMENTS AND CONTINGENCIES

The Company is subject to disputes, including litigation and arbitration, arising in the ordinary course of its insurance business. The Company has no commitments or contingencies as of December 31, 2023.

7. SUBSEQUENT EVENTS

The Company has evaluated all subsequent events through June 26, 2024, to ensure that these financial statements include appropriate recognition and disclosure of recognized events in the financial statements as of December 31, 2023. As of June 26, 2024, there were no subsequent events that required recognition or disclosure.

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# NYPA CAPTIVE INSURANCE COMPANY

MINUTES OF THE MEETING  
of the NYPA Captive Insurance Company  
May 25, 2023

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<u>Subject</u>	<u>Table of Contents</u>	<u>Page No.</u>
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Minutes of the meeting of the NYPA Captive Insurance Company Board of Directors held at New York Power Authority's White Plains office, via videoconference, at approximately 9:58 a.m.

**Members of the Board present were:**

Tracy B. McKibben – Acting Chair  
Michael Balboni  
Dennis Trainor  
Bethaida González

John R. Koelmel - Excused

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Also in attendance were:

Justin E. Driscoll	Acting President and Chief Executive Officer
Philip Toia	President – NYPA Development
Adam Barsky	Executive Vice President and Chief Financial Officer
Karina Saslow	Interim Vice President Human Resources
Lori Alesio	Interim Executive Vice President & General Counsel – Legal Affairs
Yves Noel	Senior Vice President and Chief Strategy Officer
Joseph Kessler	Executive Vice President & Chief Operating Officer
Daniella Piper	Regional Manager & Senior Vice President – Site Administration - NIA
Karina Saslow	Interim Vice President – Human Resources
Robert Piascik	Senior Vice President - Chief Information & Technology Officer
Andrew Negro	Director – Corporate Insurance
Keith Hayes	Senior Vice President & Senior Advisor – Executive Office
Karen Delince	Vice President & Corporate Secretary – NYPA
Allison Shea	Assistant General Counsel – Contracts, Licensing & Environmental
Jesse Scott	Interim Chief of Staff - Policy, Communications & Chief of Staff
Christopher Vitale	Financial Performance & Reporting Manager
Lorna Johnson	Senior Associate Corporate Secretary
Sheila Quatrocci	Senior Associate Corporate Secretary
Michele Stockwell	Assistant Corporate Secretary

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Acting Chairperson Tracy McKibben presided over the meeting. NYPA Corporate Secretary Delince kept the Minutes.

**Introduction**

Acting Chairperson Tracy McKibben welcomed the members and the Authority's senior staff to the meeting. She said that the meeting has been duly noticed as required by New York State's Open Meetings Law and called the meeting to order.

**1. Adoption of the May 25, 2023 Proposed Meeting Agenda**

On motion made by Member Michael Balboni and seconded by Member Dennis Trainor, the agenda for the meeting was adopted.

**2. DISCUSSION AGENDA:**

**a. Adoption of Resolution Organizing NYPA Captive Insurance Company**

The Acting President and Chief Executive Officer of the Authority and Proposed President and Chief Executive Officer of NYPA Captive Insurance Company submitted the following report:

**"SUMMARY**

The Board of Directors of the NYPA Captive Insurance Company will be requested, following the May 25, 2023 NYPA Trustees meeting, to hold an organizational meeting of the NYPA Captive Insurance Company (the "Captive") and approve an organizational resolution.

**BACKGROUND**

The Captive is intended to be used as a risk financing vehicle for the Authority and will maximize the flexibility and effectiveness of the Authority's insurance programs by reducing costs, stabilizing budgets and cash flow, establishing long-term relationships with risk financing partners, establishing appropriate risk retention levels using state-of-the-art analytical techniques, establishing appropriate limits, providing insurance for uninsurable or hard to insure risks, and providing a vehicle for effective tactical and strategic use of insurance and risk financing and transfer.

It is expected that the Authority's casualty and liability insurance programs will ultimately be written and administered through the Captive, including but not limited to Excess Liability, Protective Liability, Property Coverage, Property Sabotage & Terrorism, Cyber Liability; Automobile Liability, Premises Liability, and Owner Controlled Insurance Programs for General Liability and Builder's Risk coverage for projects financed through the Authority's capital programs.

Chapter 193 of the Laws of 2022, enacted May 9, 2022, authorized the Authority and any statutory subsidiary thereof to form a pure captive insurance company. At a meeting held on September 29, 2022, the NYPA Board of Trustees authorized the incorporation of the Captive.

The Authority has since undertaken the formation of the Captive, including applying to secure the requisite licensing from the New York State ("NYS") Department of Financial Services. Upon review of the Authority's application, the NYS Department of Financial Services indicated there are no comments as to said application and directed the Authority to submit a signed Captive Charter for filing. Accordingly, on April 3, 2023, the Authority submitted a Captive Charter signed by Justin E. Driscoll to the NYS Department of Financial Services for filing. The NYS Department of Financial Services thereafter issued a

Certificate of Incorporation for the NYPA Captive Insurance Company, which was incorporated May 2, 2023.

### DISCUSSION

To finalize the corporate formation process and have the NYS Department of Financial issue the requisite license, the Board of Directors of the NYPA Captive Insurance Company must hold an organizational meeting of the NYPA Captive Insurance Company and approve an organizational resolution.

The organizational resolution provides for the adoption of the corporate by-laws; appointment of the officers of the corporation, including President and Chief Executive Officer, Chief Financial Officer, Secretary, and Treasurer; adoption of the form of the stock certificate and approval of the issuance of shares; appointment of corporate service providers; adoption of an investment policy; authorization to establish banking accounts; appointment of the Superintendent of Financial Services as agent for service of process and an individual designated to receive same; and establishment of the fiscal year of the corporation.

Thereafter, for the NYS Department of Financial Services to issue the requisite license to the NYPA Captive Insurance Company, the Captive must submit to the NYS Department of Financial Services the corporate organizational resolution; a notarized copy of the corporate by-laws; an Appointment of Designation of NYS Department of Financial Services as Attorney; a Certificate of Designation by Captive Insurer; and proof of funding of the Captive bank account.

After the NYPA Captive Insurance Company receives its license from NYS Department of Financial Services it can then underwrite and issue insurance policies. The Phase 1 policies to be initially underwritten are the TRIA Certified NBCR Terrorism coverage line with an aggregate limit of \$500 million, and a property deductible reimbursement line in the amount of \$5 million per occurrence. Thereafter, other coverage lines the Authority intends on subsequently placing with NYPA Captive Insurance Company will be underwritten based upon the feasibility study prepared for the Authority and actuarial analysis to be performed.

### FISCAL INFORMATION

The formation of the Captive will ultimately have a positive fiscal impact on the Authority as it is expected, amongst other things, to reduce the Authority's insurance program premiums and costs, provide a vehicle for effective tactical and strategic use of insurance and risk financing and transfer, and provide access to the federal government's terrorism risk program created under the Terrorism Risk Insurance Act which provides a federal backstop for 80% of covered losses.

### RECOMMENDATION

The Executive Vice President & Chief Financial Officer of the Authority and proposed Chief Financial Officer of the Captive has requested that the Board of Directors of the NYPA Captive Insurance Company hold an organizational meeting of the NYPA Captive Insurance Company and approve an organizational resolution.

For the reasons stated, I recommend the approval of the above-requested action by adoption of the resolution below."

Mr. Adam Barsky, NYPA's Executive Vice President and Chief Financial Officer, provided highlights of the resolution to the members. He said that The Resolution Organizing NYPA Captive Insurance Company, which is an adoption of the following matters, is now before the Board of Directors for adoption.

1. Bylaws
2. Appointment of Officers
3. Form of Stock Certificate
4. Capitalization and Issuance of Shares
5. Appointment of Service Providers
6. Adoption of Investment Policy
7. Execution of Policies
8. Bank Resolutions
9. Organizational Expenses
10. Appointment and Designation
11. Fiscal Year for the Captive

On motion made by Member Michael Balboni and seconded by Member Dennis Trainor the following resolution, as recommended by the Acting President and Chief Executive Officer of the Authority and Proposed President and Chief Executive Officer of NYPA Captive Insurance Company was unanimously adopted.

**RESOLUTION**

**OF THE**

**MEMBERS OF THE BOARD OF DIRECTORS OF NYPA CAPTIVE INSURANCE COMPANY**  
**(the "Corporation")**

**ADOPTION OF BYLAWS**

that the proposed Bylaws for the Corporation, a copy of which is attached hereto as Exhibit A, are hereby approved and adopted as the Bylaws of the Corporation, and a copy of such Bylaws shall be inserted into the corporate minute book as a part of the Corporation's permanent records.

**APPOINTMENT OF OFFICERS**

that the following persons be appointed to the offices set out below, to hold such office until the first annual meeting of the Board of Directors except as otherwise provided in the Bylaws:

<b><u>Name</u></b>	<b><u>Office</u></b>
Justin Driscoll	Chief Executive Officer and President
Adam Barsky	Chief Financial Officer
Andrew Negro	Secretary
Jose Yandun	Treasurer



## FORM OF STOCK CERTIFICATE

that the form of stock certificate, a copy of which is attached hereto as Exhibit B, is hereby adopted and approved as the stock certificate of the Corporation and a specimen copy of the stock certificate shall be inserted in the corporate minute book together with this action.

## CAPITALIZATION AND ISSUANCE OF SHARES

Power Authority of the State of New York has offered to purchase one thousand shares (1,000) of the Corporation's Common Stock, with a par value of \$100 per share, at a purchase price of \$100,000 per share, and a total purchase price of \$100,000,000; and

the Board of Directors determines that the above stated price per share is adequate.

that the Corporation hereby accepts the above offers to purchase 1,000 shares at \$100,000 per share, for a total purchase price of \$100,000,000;

**FURTHER RESOLVED**, that the accepted purchase price of \$100,000,000 represents \$100,000 of share capital and \$99,900,000 of additional paid in capital; and,

**FURTHER RESOLVED**, that the appropriate officers of the Corporation shall, upon receipt of payment of the consideration, issue to the above-named shareholder, a certificate for one thousand shares, which shares shall be considered fully paid and non-assessable.

## APPOINTMENT OF SERVICE PROVIDERS

the Corporation identified service providers to the New York Department of Financial Services in its application to be licensed as a captive insurance company and will continue to need to use services providers.

that the Corporation ratifies and approves the filing of its application to be licensed as a captive insurance company and the appointment of Marsh Management Services Inc. as captive manager; KPMG LLP as financial auditor; Dawne Davenport of Marsh Management Services Inc. as actuary; Dentons Bingham Greenebaum LLP and Orrick, Herrington & Sutcliffe, LLP, as attorneys, for assistance with the formation, application and licensing process and approves such appointment and further continuing work on such terms as the officers believe is in the best interest of the Corporation.

### **ADOPTION OF INVESTMENT POLICY**

that the proposed Investment Policy of the Corporation, a copy of which is attached hereto as Exhibit C, is hereby approved and adopted as the Investment Policy of the Corporation.

### **EXECUTION OF POLICIES**

from time to time, the Corporation will issue binders and policies, and may enter into participation or reinsurance agreements, that need to be executed.

that the Corporation authorizes and approves the execution, for and on behalf of the Corporation, of any of the Corporation's binders or policies by any officer of the Corporation.

### **BANK RESOLUTIONS**

**RESOLVED**, that the appropriate officers of the Corporation be, and they hereby are, authorized and directed to establish such depository and checking accounts on behalf of and in the name of the Corporation at such banks ("Depositories") as shall be selected by them in their sole discretion; and

**FURTHER RESOLVED**, that the Board of Directors does hereby adopt the attached resolutions, as if fully set out herein, with respect to the establishment of, and authorized signatures under, such accounts at such Depositories.

**FURTHER RESOLVED**, that those who are authorized to sign on behalf of the Corporation at such Depositories are authorized and directed, for and in the name and on behalf of the Corporation, to execute such additional documentation, that is consistent with the resolutions attached hereto as Exhibit D and that is required by the Depositories, including as set forth on printed forms of the Depositories.

### **ORGANIZATIONAL EXPENSES; CORPORATE BOOKS**

that the Corporation shall cause all fees and expenses incident and necessary to the organization of the Corporation to be paid; the Secretary shall procure all books necessary and shall be responsible for preparing the Corporation's minutes of the directors' meetings and shareholders' meetings and for authenticating records of the Corporation; and the Secretary shall maintain the Articles of Incorporation, the Bylaws, such minutes and all other appropriate corporate records in a corporate minute book as a part of the Corporation's permanent records.

## APPOINTMENT AND DESIGNATION

New York law requires that a captive insurance company appoint the Superintendent of Financial Services of the State of New York to be its agent for service of process, and to designate a person to whom any process should be forwarded.

that the Corporation now authorized, or having applied for authority to do a captive insurance business in the State of New York, does hereby authorize the president and secretary of the Corporation to appoint the Superintendent of Financial Services of the State of New York, his successors in office, and any deputy superintendent, its true and lawful ATTORNEY, in and for the State of New York, upon whom all lawful process against said Corporation may be served in any action or proceeding against said Corporation in the State of New York, subject to and in accordance with all the provisions of the Insurance Law of the State of New York in force at the time of such service. This appointment shall be binding upon any successor acquiring the assets and assuming the liabilities of such insurer by merger or consolidation, and shall not be terminated so long as there are in effect any contracts, or liabilities or duties arising out of contracts, which were issued or delivered by such insurer in this State; and

**FURTHER RESOLVED**, that the Corporation does hereby authorize the president and secretary of the Corporation to execute and file in the office of the Superintendent of Financial Services of the State of New York a certificate of designation of an officer, agent or other person to whom shall be forwarded all process served pursuant to the Insurance Law of the State of New York upon the Superintendent of Financial Services of said State, his successors in office, or any deputy superintendent; and

**FURTHER RESOLVED**, that the Corporation does hereby authorize the president and secretary of the Corporation to change such designation, or any subsequent designation, by filing a new certificate of designation in the office of the Superintendent of Financial Services of the State of New York.

## FISCAL YEAR

Article V, Section 1 of the Corporation's Bylaws provides that the fiscal year of the Corporation be the calendar year.

that the fiscal year of the Corporation shall end on the last day of December in each calendar year.

**FURTHER ACTION**

**RESOLVED**, That the Chair, and the officers of the Corporation be, and each of them hereby is, authorized and directed, for and in the name and on behalf of the Corporation, to do any and all things and take any and all actions and execute and deliver any and all certificates, agreements and other documents that they, or any of them, may deem necessary or advisable to effectuate the foregoing resolution.

May 25, 2023

EXHIBIT A

**BY-LAWS  
of the  
NYPA CAPTIVE INSURANCE COMPANY**

[Date]

**ARTICLE I – Offices**

**Section 1. Principal Office**

The principal office of the NYPA Captive Insurance Company (hereinafter referred to as the "Corporation") shall be in the County of Westchester, State of New York office of the Power Authority of the State of New York (hereinafter the "Authority"). Under all circumstances, the principal office of the Corporation shall be in the State of New York.

**Section 2. Books and Records**

Except as otherwise determined by the Board of Directors of the Corporation (hereinafter, the "Board of Directors") or as the business of the Corporation may require, all books and records of the Corporation shall be kept at the County of Westchester, State of New York, office of the Authority; in no event shall the books and records of the Corporation be kept outside New York.

**ARTICLE II – Board of Directors**

**Section 1. Number, Term, Appointment and Vacancies**

The Board of Directors shall consist of seven Board members, and under no circumstances shall there be fewer than three Board members; and at all times at least two members of the Board of Directors shall be residents of New York. In accordance with subdivision 28 of section 1005 of the New York Public Authorities Law, the members of the Board of Directors shall be the same persons holding the offices of Trustees of the Authority appointed pursuant to Section 1003 of the Public Authorities Law, and the Board Chair of the Authority shall hold the same position as the Board Chair of the Corporation until the conclusion of his or her term with the Authority.

**Section 2. Powers and Duties**

**A. General**

The powers and duties of the Board of Directors shall be those helpful or appropriate to a New York pure captive insurance company.

The Board of Directors shall be responsible for acting in good faith and with independent judgment.

**B. Board Chair**

The Board Chair shall preside at all meetings of the Board of Directors, shall be responsible for developing the strategic vision and mission of the Corporation and shall on behalf of the Board of Directors oversee the Corporation's management in the effective and ethical management of the Corporation. The Board Chair may delegate to the President and Chief Executive Officer or other officer or officers such of the Board Chair's powers and functions in the general supervision of the business of the Corporation.

**ARTICLE III - Board of Directors Meetings**

**Section 1. Meetings**

Meetings of the Board of Directors may be held at the Authority's offices in the Counties of Westchester or Albany, or at such other place as the Board of Directors may from time to time designate; provided that at least one meeting each year shall be held in New York, which meeting shall be held so that it meets

the requirements of a captive insurance company. The meetings of the Board of Directors shall be held at least annually in accordance with a schedule adopted annually by the Board of Directors for that purpose and may be changed from time to time within that year by the Board Chair in consultation with the Board of Directors. Special meetings of the Board of Directors may be called by the Board Chair upon the request of any three Board members. The Secretary shall give notice of the time, place and purpose or purposes of each special meeting by mail at least three days before the meeting or in person or by telephone, facsimile or by other electronic communication at least two days before the meeting to each Board member. The notice requirement to be given under this section may be waived by the Board member to whom such notice is required to be given.

## **Section 2. Quorum**

At all Board of Directors meetings, the greater of (a) a majority of the directors then in office and (b) one-third of the fixed number of directors, shall constitute a quorum and shall be sufficient for the transaction of business. A Board member may participate by videoconference, which shall count for quorum and voting purposes. A Board member may participate by telephone but such participation shall not count for quorum or voting purposes.

## **ARTICLE IV – Officers**

### **Section 1. Officers**

The officers of the Corporation shall be the President and Chief Executive Officer, Chief Financial Officer, Secretary and Treasurer.

### **Section 2. Appointment of Officers**

The Board of Directors shall appoint the officers. If there is a vacancy in any of the Corporation's offices, such office shall be filled by the Board of Directors.

### **Section 3. Term of Office**

All officers shall each hold office until his or her successor is chosen and qualified or until his or her earlier removal, resignation or death.

### **Section 4. Vacancies and Removal**

Any officer appointed by the Board of Directors shall be subject to removal at any time by the Board of Directors, with or without cause.

### **Section 5. Powers and Duties**

#### **A. President and Chief Executive Officer**

The President and Chief Executive Officer shall report directly to the Board of Directors, and shall be responsible for the general supervision and direction of the operations, business and activities of the Corporation, with the exception of those activities or business units under the supervision of officers reporting to the Board Chair or the Board of Directors. The President and Chief Executive Officer has the power to appoint and remove agents and employees and fix their compensation, including appointing such assistants and employees necessary to manage the Corporation, and fixing their powers and duties. The President and Chief Executive Officer may sign, execute and deliver in the name of the Corporation powers of attorney, contracts, agreements, leases, notes, checks, drafts, bonds, obligations and such documents other than those required by these By-laws, law or resolution to be executed by the Board

Chair and/or the Secretary. The President and Chief Executive Officer may, as deemed appropriate, delegate his or her powers and responsibilities to any officer.

**B. Chief Financial Officer**

The Chief Financial Officer of the Corporation shall be responsible for the overall supervision of the financial activities of the Corporation, and shall exercise such other duties as the President and Chief Executive Officer or Board shall from time to time determine. The Chief Financial Officer shall report directly to the President and Chief Executive Officer and shall, when requested, give advice to the Chair and Board.

**C. Secretary**

The Secretary shall report to the President and Chief Executive Officer and shall attend all meetings of the Board of Directors and be responsible for maintaining the corporate record, giving notice of all meetings, and shall exercise such other duties as the Board of Directors shall from time to time determine.

**D. Treasurer**

The Treasurer shall report to the Chief Financial Officer. The Treasurer shall have general custody of all funds and securities of the Corporation and have general supervision of the collection and disbursement of Corporation funds and shall endorse on behalf of the Corporation for collection checks, notes and other obligations, and shall deposit the same to the credit of the Corporation in such bank or banks or depositories as the Board of Directors may designate. The Treasurer may sign with the Board Chair, President and Chief Financial Officer, or such other person or persons as may be designated for such purpose by the Board of Directors, all bills of exchange or promissory notes of the Corporation, and shall exercise such other duties as the Board Chair shall from time to time determine.

**ARTICLE V - Fiscal Management**

**Section 1. Fiscal Year**

The calendar year shall be the Corporation's fiscal year.

**Section 2. Disbursement of Funds**

The Board of Directors, except as otherwise provided in these By-laws, may authorize any officer or other employee to execute any requisition, voucher, draft or check for the disbursement or transfer of funds of the Corporation.

**ARTICLE VI - Execution of Instruments**

**Section 1. Execution of Instruments**

The Board of Directors, except as otherwise provided in these By-laws, may authorize any officer, employee or agent, pursuant to the expenditure authorization procedures or otherwise, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Corporation, and such power to execute and deliver may be general or specific; unless so authorized, no officer, employee or agent shall have any power or authority to bind the Corporation by any contract or engagement or pledge of its credit or to render it liable pecuniarily for any purpose or in any amount.



**ARTICLE VII – Amendment**

**Section 1. Amendment**

The Board of Directors shall have the power to amend, alter or repeal any provision or provisions of these By-laws at any annual, regular or special meeting.

**ARTICLE VIII – Miscellaneous**

**Section 1. Annual Reports**

The Board of Directors shall approve, submit and publish a certified annual report, and such other required filings, within the period of time required of a New York captive insurance company.

Exhibit B

SPECIMEN  
[TO BE PRINTED ON STOCK CERTIFICATE PAPER]

Number

\*\*\*\*\*

Shares

\*\*\*\*\*

Incorporated under the Laws of the State of New York

**NYPA CAPTIVE INSURANCE COMPANY**

Authorized Capital: 1,000 Shares of Common Stock, \$100 Par Value Per Share

***THIS CERTIFIES THAT*** \_\_\_\_\_ is the owner of \_\_\_\_\_  
\_\_\_\_\_ fully paid and non-assessable Shares of Common Stock of NYPA  
Captive Insurance Company, are not transferable on the books of the Corporation by the holder, other  
than upon transfer to the Corporation in redemption or dissolution upon surrender of this Certificate  
properly endorsed.

***IN WITNESS WHEREOF***, the Corporation has caused this Certificate to be signed by its duly  
authorized officers and its Corporate Seal to be hereunto affixed as of the \_\_\_ day of \_\_\_\_\_ 202\_\_.

\_\_\_\_\_, Secretary \_\_\_\_\_, President

May 25, 2023

*FOR VALUE RECEIVED,* \_\_\_\_\_ *hereby sell, assign and transfer*  
*unto* \_\_\_\_\_  
\_\_\_\_\_ *Shares represented by the within Certificate, and do hereby irrevocably*  
*constitute and appoint* \_\_\_\_\_ *Attorney* *to*  
*transfer the said Shares on the books of the within named Company with full power of*  
*substitution in the premises.*

*Dated* \_\_\_\_\_

*In presence of*

\_\_\_\_\_  
NYPA CAPTIVE  
INSURANCE COMPANY

\_\_\_\_\_  
\*\*\* 1,000 Share \*\*\*

Power Authority of the State of New York

\_\_\_\_\_, 202\_\_\_\_  


22462535.v7

# NYPA Captive Insurance Company Investment Policy Statement

## A. Purpose

This Investment Policy forms the basis for the NYPA Captive Insurance Company (the “Company”) to manage its investments responsibly, sets forth objectives and risk tolerance parameters for the investment portfolio, establishes controls and guidelines for the management of the portfolio, and promotes compliance with all applicable legal and regulatory requirements regarding the investment and disposition of the assets of the Company. [The Investment Policy has been approved and adopted by the Board of Directors of the Company and will be reviewed periodically and revised as needed.]

## B. Investment Objectives

The investment objectives of the Company are complementary to its fundamental insurance writing functions. The Company’s investment portfolio will be managed to achieve:

1. Preservation of asset values held in the portfolios,
2. Adequate liquidity to make expected claims payments and meet other foreseeable cash needs and reinvesting other fungible assets to avoid trapping cash,
3. Legal and regulatory compliance,
4. Risk and return balance by earning the highest available returns consistent with an appropriate risk level established for the portfolio.

The objectives should be given equal consideration by the investment manager.

## C. Administration and Investment Responsibilities

The Board of Directors of the Company has sole authority to approve, amend, alter, or otherwise make changes to this Investment Policy.

Under the guidance and oversight of the Board of Directors of the Company, the Treasurer of the Company shall be responsible for the implementation of the investment policy and have the authority to carry out its provisions. The Board shall annually review performance of the portfolio and approve amendments to this Investment Policy. Permitted Investments are subject to review by the Board and Treasurer on an annual basis. The Treasurer may appoint an investment manager or consultant and shall have the authority to interpret this policy and to establish more specific investment directives for the manager. Any investment manager or consultant must be registered under the Investment Advisors Act of 1940. The Treasurer may delegate similar authority to other Officers or employees to do any and all things that the Treasurer is authorized to do, including, but not limited to, the authority to act as agent and

attorney-in-fact on behalf of the Company to buy and sell stocks, bonds, options, securities, notes, participation certificates, mortgages, commercial paper, or other forms of approved investment, acting through a resolution, which shall be furnished to the investment manager. The investment restrictions in this policy are written broadly to encompass the widest range of possible investment activities envisioned by the Board. From time to time, the Company's investment objectives may dictate a more restrictive approach. The Treasurer and/or designees may impose additional restrictions by communicating them in writing to the investment manager.

#### **D. Safekeeping**

Permitted Investments (as defined in Sections E and P) purchased by the Company or collateral securing its investments shall be deposited only with custodians designated by the Company. Such custodians shall be Banks that are members of the Federal Reserve System transacting business in the State of New York or creditworthy banks or trust companies authorized to do business in the State of New York. The custodian shall produce statements at least quarterly listing the name and value of all assets held, and the dates and nature of all transactions. Assets of the Company held as liquidity or investment reserves shall, at all times, be invested in interest-bearing accounts.

#### **E. Permitted Investments**

The Company may invest its funds in the following types of investments. Should the Company decide or be required to hold a Reserve Account, the balance of this Reserve Account shall be funded before any other accounts according to the permitted investments detailed in Section P below. Any investments not specifically included in this list are not permitted without specific authorization from the Company's Board of Directors.

1. All United States government securities and United States agency debt obligations / Direct obligations of or obligations guaranteed by the United States of America or the State of New York;
2. Bonds, debentures, notes or other obligations issued or guaranteed by any of the following: Federal National Mortgage Association (including Participation Certificates), Government National Mortgage Association, Federal Financing Bank, Federal Home Loan Mortgage Corporation and Federal Home Loan Banks, Federal Housing Administration, Federal Farm Credit Banks Funding Corporation, Federal Farm Credit Banks, Federal Intermediate Credit Banks, Federal Banks for Cooperatives, Federal Land Banks, Farmer Mac, Tennessee Valley Authority ("TVA"), Export-Import Bank of the United States ("EXIM") or any other agency controlled or supervised by and acting as an instrumentality of the United States government;
3. Obligations of any state of the United States of America or any political subdivision thereof or any agency, instrumentality, or local government unit of any such state or political subdivision that shall be rated at the time of the investment in any of the three

highest long-term Rating Categories, as below, or the highest short-term Rating Category by a Rating Agency. All debt obligations of any State or municipal government organized under the laws of the United States or any of its fifty states;

4. Corporate debt obligations issued by United States domestic issuers and United States dollar-denominated issues of approved foreign issuers, including securities issued in conformance with Securities and Exchange Commission Rule 144A;
5. Collateralized Loan Obligations ("CLOs"), Collateralized Debt Obligations and Collateralized Bond Obligations, having a rating, at time of purchase, of "AA" or higher from Standard & Poor's Corporation or Fitch Ratings or "Aa" or higher from Moody's Investor Service, Inc.;
6. Corporate equity investments in domestic common and preferred stocks and publicly traded real estate investment trusts ("REITs") shall be restricted to high credit quality, liquid securities of corporations actively traded on a major U.S. exchange. Staff and/or investment advisor will provide the Directors of the Company an equity evaluation process document for all equities purchased with concurrence from Risk Management. Any equity exposure shall be restricted to highly diversified index funds.
7. Mortgage-Backed Securities and Collateralized Mortgage Obligations, including both agency and non-agency, commercial and residential, having a rating, at time of purchase, of "AA" or higher from Standard & Poor's Corporation or Fitch Ratings or "Aa" or higher from Moody's Investor Service, Inc.;
  - a. Prohibited investments are Interest Only, Principal Only, Adjustable Rate Mortgages (ARMs), Floating Rate Note Mortgage (FRNs), ZTranches, or other high risk structures.
8. Commercial paper issued by an institution with a minimum short-term credit rating as defined in Section J;
9. Money market funds, as defined in the Investment Company Act of 1940, registered under the Federal Securities Act of 1933, and whose objective is to maintain a constant share value of \$1.00, provided that: (a) no more than \$50 million of the Authority's investments shall be invested in any one money market fund for more than thirty consecutive business days; and (b) fund investments are restricted to securities described in paragraph (1) or (2) of this subdivision. Authorized Investments purchased by the Company or collateral securing its investments shall be deposited only with custodians designated by the Company. In lieu of traditional cash or security collateral, the Company may accept municipal letters of credit ("MULOC") issued by the FHLB or other federal agency. Such custodians shall be Banks that are members of the Federal Reserve System transacting business in the State of New York or creditworthy banks or trust companies authorized to do business in the State of New York;

10. Guaranteed Investment Contracts or GIC Funds issued by creditworthy insurance companies rated A or higher by A.M. Best Co. and collateralized by issuer's general or separate account assets;
11. Repurchase and reverse repurchase agreements ("Repurchase Agreements"), including "gestation" repurchase agreements of agency-backed collateral with a physical trust certificate from a FINRA-licensed broker dealer, with any bank or trust company organized under the laws of any state of the United States of America, which agreement is secured by any one or more of the securities described in paragraph (1) or (2) of this subsection, which securities shall at all times have a market value of not less than the full amount of the repurchase agreement and be delivered to another bank or trust company organized under the laws of New York State or any national banking association domiciled in New York State, as custodian. The Company shall enter into a written contract with any (1) Dealer from which Permitted Investments are purchased subject to a Repurchase or Reverse Repurchase Agreement and (2) Bank from which Certificates of Deposit or Time Deposit accounts as defined below are purchased.
12. Certificates of Deposit or Time Deposit accounts offered through the Certificate of Deposit Account Registry Service ("CDARS") program (or other CDARS comparable, FDIC-insured reciprocal products) provided the co-operative property/casualty insurance Company retains title on each CD purchased. Authorized Certificates of Deposit and Time Deposits shall be purchased directly from Banks that are members of the Federal Reserve System transacting business in the State of New York and have capital and surplus aggregating at least \$50 million. Authorized Investments purchased by the Company or collateral securing its investments shall be deposited only with custodians designated by the Company. In lieu of traditional cash or security collateral, the Company may accept municipal letters of credit ("MULOC") issued by the FHLB or other federal agency. Such custodians shall be Banks that are members of the Federal Reserve System transacting business in the State of New York or creditworthy banks or trust companies authorized to do business in the State of New York;

IMPORTANT NOTE: If the credit rating of a security is subsequently downgraded below the minimum rating level in Section J or as specified in the Permitted Investment description the Investment Officer shall evaluate the downgrade on a case-by-case basis in order to determine if the security should be held or sold. Notification will be sent to Risk Management. The Investment Manager will apply the general objectives of safety, liquidity, yield and legality to make the decision.

#### **F. Prohibited Investments**

The Company is prohibited from making the following investments:

1. Investment in an insolvent entity
2. Any investment as a general partner
3. Letter stock and other unregistered securities
4. Commodities or commodity contracts

5. Short sales
6. Margin transactions
7. Derivatives, options, or futures for the purpose of portfolio leveraging
8. The purchase of collectibles is also prohibited.

#### **G. Provisions Relating to Qualifications of Dealers and Banks**

A list will be maintained of financial institutions and depositories authorized to provide investment services. In addition, a list will be maintained of approved security broker/dealers selected by conducting a process of due diligence. These may include ‘primary’ dealers or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15C3-1 (uniform net capital rule) or FDIC/Federal Reserve-regulated banks that are investment grade or better as rated by a nationally recognized statistical ratings organization (“NRSRO”). Banks and Dealers shall have demonstrated an ability to:

1. Offer superior rates or prices on the types and amounts of securities required;
2. Provide a high degree of attention to the Authority's investment objectives; and
3. Execute trades in a timely and accurate manner.

Authorized Investments may also be purchased or sold through minority-owned, women-owned, and service-disabled veteran owned firms authorized to transact business in the U.S. government and municipal securities markets. Such qualified firms shall demonstrate the qualities detailed in clauses (1), (2) and (3) above.

If the services of an investment advisor are engaged by the Company, the investment advisor may execute approved trades on behalf of the Company with dealers or banks that are not on the Company list of authorized Banks and Dealers if those organizations provide the best security available. Said transactions, however, will be included in periodic transaction recap reports provided by the investment advisor.

The Company shall file with each qualified dealer or investment advisor a letter agreement that designates the (1) type of permitted investments, (2) Staff who are authorized to transact business and (3) delivery instructions for the safekeeping of investments.

#### **H. Loan to Parent**

The Board of Directors of the Company of the Company may authorize loan(s) to the Power Authority of the State of New York (“NYPA or “The Authority”) subject to regulatory approval and security requirements.

1. The loan(s) is subject to the advice and approval of the New York State Department of Financial Services.
2. Any such loan should be evidenced by a bona fide, fully executed demand note by and between the Company and The Authority.



3. Any such loan shall not exceed one year/364 days and may be renewed at the discretion of the Treasurer.
4. Any such loan will be an arm's length transaction with market interest rate comparable to NYPA's General Resolution credit rating.

**I. Credit Quality Requirements**

Unless explicitly stated in the Permitted Investments description, each security will maintain minimum ratings on short-term investments of A-1/P-1/F-1 (Moody's/S&P/Fitch) and minimum ratings on long-term investments of A2/A/A (Moody's/S&P/Fitch) at the time of purchase. In the case of split ratings at least one long-term rating of at least A2 by Moody's, A by Standard & Poor's or A+ by Fitch, (so long as no two of the three of Moody's, Fitch, and Standard & Poor's have assigned long-term ratings below A2, A, and A, respectively at time of purchase.

**J. Diversification Requirement**

Unless explicitly stated in the security definition, the Company's portfolio may be invested in any one security or issuer of securities as follows:

Security Type	General Limit (%)	Issuer Limit (%)
<b>Treasuries</b>	100%	No more than \$25 million invested in any one security
<b>Agency Bonds</b>	100%	No more than \$25 million invested in any one security
<b>CDs and Gov't Money Market Funds</b>	100%	No more than 20% invested with any one issuer; No more than \$25 million invested in any one security
<b>Repurchase and Reverse Repurchase Agreements</b>	20%	No more than the lesser of 10% or \$50 million invested with any one issuer
<b>Municipal Bonds</b>	50%	No more than 50% or \$25 million invested with any one issuer or in any one security
<b>Corporate Bonds</b>	50%	No more than the lesser of 10% or \$25 million invested with any one issuer or in any one security
<b>Corporate Equities / Funds</b>	10%	No more than the lesser of 10% or \$25 million invested with any one issuer or in any one security
<b>Mortgages - Agency</b>	50%	No more than the lesser of 10% or \$25 million invested with any one issuer or in any one security
<b>Mortgages - CMBS</b>	20%	No more than the lesser of 10% or \$25 million invested with any one issuer or in any one security
<b>Collateralized Loan Obligations</b>	20%	No more than the lesser of 10% or \$25 million invested with any one issuer or in any one security
<b>Guaranteed Investment Contracts ("GICs")</b>	20%	No more than the lesser of 10% or \$25 million invested with any one issuer or in any one security
<b>Intercompany Loans</b>	75%	No more than the value of portfolio

**K. Duration**

Investment durations should be less than five years.

**L. Performance**

The performance of the portfolio will be benchmarked against the Bloomberg Aggregate Index for fixed income securities and the S&P 500 Index and MSCI EAFE Index for domestic and international equities, respectively.

**M. Accounting Considerations**

Securities shall be selected based on their after-tax returns, without distinction between principal and income. Bonds may be purchased at a premium or discount from par.

**N. Regulatory Compliance**

The Company is required to maintain unimpaired paid-in capital and surplus of \$250,000 in the form of cash or cash equivalents. The Company will maintain such unimpaired capital and surplus at all times in such permitted investments.

**O. Other Issues**

1. All fixed income investments must be denominated in US dollars.
2. The manager shall not be required to sell any portfolio holding if an adverse change (such as a rating downgrade) renders the issue ineligible pursuant to these guidelines.
3. Exceptions to policy must be reported to Risk Management and may be waived by the Chief Financial Officer of the Company, and include a plan to move back into compliance at a reasonable time.

**P. Reserve Account Permitted Investments**

Should the Company decide or be required to hold a Reserve Account, the balance of this Reserve Account should be equal to the net of the actuarial determined losses (Outstanding Loss and Incurred but Not Reported Loss Reserves). The Company may invest the funds of this Reserve Account in the following types of investments. Any investments not specifically included in this list are not permitted without specific authorization from the Company's Board of Directors.

1. All United States government securities and United States agency debt obligations / Direct obligations of or obligations guaranteed by the United States of America or the State of New York;
2. Bonds, debentures, notes or other obligations issued or guaranteed by any of the following: Federal National Mortgage Association (including Participation Certificates), Government National Mortgage Association, Federal Financing Bank, Federal Home Loan Mortgage Corporation and Federal Home Loan Banks, Federal Housing Administration, Federal Farm Credit Banks Funding Corporation, Federal Farm Credit Banks, Federal Intermediate Credit Banks, Federal Banks for Cooperatives, Federal Land Banks, Farmer Mac, Tennessee Valley Authority (“TVA”), Export-Import Bank of the United States (“EXIM”) or any other agency controlled or supervised by and acting as an instrumentality of the United States government;
3. Repurchase agreements collateralized by United States Treasury Securities and United States Federal Agency debt; and
4. Money market demand and FDIC insured certificate of deposit accounts of FDIC/Federal Reserve-regulated banks that are investment grade or better as rated by a nationally recognized statistical ratings organization (“NRSRO”), not to exceed bank deposit insurance limits. Authorized Investments purchased by the Company or collateral securing its investments shall be deposited only with custodians designated by the Company. In lieu of traditional cash or security collateral, the Company may accept municipal letters of credit (“MULOC”) issued by the FHLB or other federal agency. Such custodians shall be Banks that are members of the Federal Reserve System transacting business in the State of New York or creditworthy banks or trust companies authorized to do business in the State of New York.

**RESOLUTION OF THE BOARD OF DIRECTORS**

**OF**

**NYPA CAPTIVE INSURANCE COMPANY**

**Management of Captive Banking Relationships**

RESOLVED, That, the following authorizations are established with respect to the national or state banks (hereinafter referred to individually as the “Bank”) or trust companies organized under the laws of any state (hereinafter referred to individually as the “Trust Company”) that may be designated as a depository of the NYPA Captive Insurance Company and the execution of account-related agreements or documents on behalf of the NYPA Captive Insurance Company:

1. The establishment, maintenance or closing of bank accounts, including depository and custody accounts, for and in the name of the NYPA Captive Insurance Company with any Bank or Trust Company shall be authorized by the Treasurer or the Secretary of the NYPA Captive Insurance Company with concurrence by one of the following: the President and Chief Executive Officer or the Chief Financial Officer of the NYPA Captive Insurance Company;
2. The Chief Financial Officer, the Treasurer and the Secretary of the NYPA Captive Insurance Company, or such other individual(s) as may be designated by the Treasurer with the concurrence of the Chief Financial Officer, are hereby authorized to: (i) sign checks, drafts and other items for withdrawal or deposit of monies for and on behalf of the NYPA Captive Insurance Company, and (ii) initiate the transfer of monies by wire or otherwise for the payment or withdrawal of funds, for and on behalf of the NYPA Captive Insurance Company;
3. The Chief Financial Officer and the Treasurer of the NYPA Captive Insurance Company are hereby authorized to sign checks with a facsimile signature for the withdrawal of monies from NYPA Captive Insurance Company accounts;
4. The Chief Financial Officer, the Treasurer and the Secretary of the NYPA Captive Insurance Company or such other individuals as may be designated by

the Treasurer, are authorized to invest and reinvest monies in the account for, and on behalf of, the NYPA Captive Insurance Company; and

5. Execution of agreements, certificates, indemnities and other documents related to conducting business with the Bank or Trust Company may be authorized by the Treasurer or Secretary of the NYPA Captive Insurance Company with the concurrence of one of the following: the President and Chief Executive Officer or the Chief Financial Officer; and it be further

RESOLVED, That the Chair, President and Chief Executive Officer and all other officers of the NYPA Captive Insurance Company be, and each of them hereby is, authorized on behalf of the NYPA Captive Insurance Company to do any and all things, take any and all actions and execute and deliver any and all agreements, certificates and other documents to effectuate the foregoing resolution.

**3. Next Meeting**

Acting Chairperson McKibben stated that the next meeting of the NYPA Captive Insurance Company's Board of Directors is to be determined.

**Closing**

On motion made by Member Michael Balboni and seconded by Member Dennis Trainor, the meeting was adjourned at approximately 9:59 a.m.

*Karen Delince*

Karen Delince  
Corporate Secretary - NYPA



**NY Power  
Authority** | **Canal  
Corporation**

**July 16, 2024**

**Next Meeting**

The next regular meeting of the Captive Insurance Board is to be determined.

