NYPA CAPTIVE INSURANCE COMPANY

MINUTES OF THE MEETING
of the NYPA Captive Insurance Company
July 16, 2024

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An annual meeting of the NYPA Captive Insurance Company Board of Directors held at New York Power Authority's White Plains office, via videoconference, at approximately 9:47 a.m.

The following Members of the Board present were:

John Koelmel
Dennis Trainor
Bethaida Gonzalez
Cecily Morris
Michael Cusick
Lewis M. Warren

Laurie Wheelock - Excused

Also in attendance were:

Justin E. Driscoll	President and Chief Executive Officer
Adam Barsky	Executive Vice President and Chief Financial Officer
Lori Alesio	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	EVP & Chief Innovation Officer - Chief Innovation Office
Karina Saslow	Senior Vice President - Human Resources
Robert Piascik	Senior Vice President - Chief Information & Technology Officer
Alexis Harley	SVP, Chief Risk & Resiliency Officer - Enterprise Risk & Resilience
Charles Imohiosen	SVP Communications & External Affairs
Karen Delince	Vice President and Corporate Secretary
Carley Hume	SVP Policy & Regulatory Affairs - Public & Regulatory Affairs
Andrew Negro	Director – Corporate Insurance
Sheila Quatrocci	Senior Associate Corporate Secretary
Michele Stockwell	Senior Assistant Corporate Secretary

Chairman John Koelmel presided over the meeting. NYPA Captive Insurance Company Corporate Secretary Andrew Negro kept the Minutes.

Introduction

Chairman John Koelmel welcomed the members and the Authority's senior staff to the meeting. He said that the meeting had been duly noticed as required by New York State's Open Meetings Law and called the meeting to order.

1. Adoption of the July 16, 2024 Proposed Meeting Agenda

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

2. Discussion Agenda:

a. Adoption of Corporate Resolution at Annual Meeting of the Board of Directors of the NYPA Captive Insurance Company

Justin Driscoll, the President and Chief Executive Officer of the Authority and President and Chief Executive Officer of NYPA Captive Insurance Company, submitted the following report:

SUMMARY

On July 16, 2024, the Board of Directors of the NYPA Captive Insurance Company ("Captive") held an annual meeting and voted on a corporate resolution which ratified the actions of the officers since the inception of the corporation; approved the annual appointment of the officers of the corporation, including President and Chief Executive Officer, Chief Financial Officer, Secretary, and Treasurer; approved the appointment of corporate service providers; adopted the current insurance program; and accepted the audited financial report for the year ending December 31, 2023; in accordance with corporate governance and regulatory requirements.

BACKGROUND

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 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 ("DFS"). On May 2, 2023, DFS issued the Certificate of Incorporation for Captive, and 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 Captive. An additional $99,750,000 of capital contribution was made on August 8, 2023, bringing the total contribution to $100 million. DFS issued the requisite license to operate to Captive on July 25, 2023.

On September 1, 2023, 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 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, Captive underwrote a cyber deductible reimbursement line in the amount of $5 million per occurrence. On June 15, 2024, Captive also underwrote a general liability deductible reimbursement line in the amount of $4.8 million per occurrence with a $200,000 deductible.

FISCAL INFORMATION

The formation of Captive will ultimately have a positive fiscal impact on the Authority as it is expected, among other benefits, 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

Adam Barsky, the Executive Vice President & Chief Financial Officer of the Authority and Chief Financial Officer of Captive, requested that the Board hold an annual meeting and approve a corporate resolution at such time. Driscoll recommended the approval of the above-requested action by adoption of the resolution.

Barsky provided background highlights and anticipated activities of Captive.

Andrew Negro, Corporate Secretary of Captive, provided highlights of the resolution to the members. He said that the resolution, which is an adoption of the following matters, was before the Board of Directors for adoption.

1. Action of Officers
2. Appointment of Officers
3. Appointment of Service Providers
4. Current Insurance Program
5. Financial Statements

On motion made by Member Bethaida Gonzalez and seconded by Member Dennis Trainor, the following resolution, as recommended by the President and Chief Executive Officer of the Authority and President and Chief Executive Officer of Captive was unanimously adopted.

R E S O L U T I O N

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:

Name	Office
Justin Driscoll	Chief Executive Officer and President
Adam Barsky	Chief Financial Officer
Andrew Negro	Secretary
Jose Yandun	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.

EXHIBIT 1

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

Exhibit 1
July 16, 2024

TYPE OF COVERAGE	POLICY PERIOD	POLICY LIMITS	PREMIUM
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

Exhibit 2
July 16, 2024

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.

KPMG

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 assurance that assets are safeguarded against loss from

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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)

	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	445
Total assets	$ 110,218
Liability and Net Position	
Current Liabilities:	
Unearned premiums	$ 4,421
Accrued expenses	29
Total liabilities	4,450
Net position	105,768
Total liabilities and net position	$ 110,218

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)

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

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		(45)
Cash provided by operating activities		691
Cash flows from capital financing activities		
Capital contribution		100,000
Net cash provided by capital and related financing activities		100,000
Cash flows from investing activities		
Purchases of investments		(71,608)
Interest income		1,569
Net cash used by investing activities		(70,039)
Net increase in cash and cash equivalents		30,652
Cash and cash equivalents—beginning of period		-
Cash and cash equivalents—end of period		30,652
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		(5,303)
Net cash provided by operating activities	$	691
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)

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.

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.

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.

(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	$ 30,652
Other debt securities:	
FHLMC	13,076
FHLB	10,048
GNMA	7,939
Municipal	22,991
All other	19,764
Total investments	73,818
Total cash and investments	$ 104,470

Summary of maturities (years)

	Years to Maturity				
	0-1	1-5	5-10	10+	Total
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
	$ -	$ -	$ 53,744	$ 20,074	$ 73,818

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.

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:

Fair Value Measurements
(in thousands)

December 31, 2023	**Total**	**Level 1**	**Level 2**	**Level 3**
Assets				
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	$ 104,470	$ 30,652	$ 73,818	$ -

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

Quality Rating **December 31, 2023**	AAA	AA+	AA	Total
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
	$ 4,935	$ 59,478	$ 9,405	$ 73,818

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.

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	$ 6,039	$ 1,618

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):

	2023 Receivable	2023 Earned
NYPA	$ 5,303	$ 1,618
	$ 5,303	$ 1,618

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.

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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3. Consent Agenda

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

On motion made by Member Bethaida Gonzalez and seconded by Member Dennis Trainor, the Minutes of the Meeting held on May 25, 2023, were approved.

4. Next Meeting

Chair John Koelmel stated that the next meeting of the NYPA Captive Insurance Company's Board of Directors was to be determined.

Closing

On motion made by Member Dennis Trainor and seconded by Member Lewis M. Warren, the meeting was adjourned at approximately 10:02 a.m.

Andrew Negro

Andrew Negro
Corporate Secretary – NYPA Captive Insurance Company