

Wildfire Insurance Proposal

WHAT IS IT?

NV Energy is proposing a \$500 million captive insurance policy to supplement its existing coverage.

- If a wildfire occurs, this policy would be used to directly support affected customers through claims, not for company repairs or equipment. This approach helps protect customers from sudden rate spikes and unexpected costs, while ensuring financial preparedness for wildfire risks.
- It works like traditional insurance, funded through rates over time.
- But instead of paying premiums to a third party, the money stays available to benefit customers.

WHAT IS IT NOT?

This proposal is often misunderstood. It is not:

- A replacement for homeowners or personal insurance for customers.
- A fund to repair NV Energy equipment.
- A replacement for all traditional insurance.

It is one layer of protection designed specifically to cover wildfire-related liability.

WHY CAPTIVE INSURANCE?

Captive insurance offers a more stable, long-term approach, especially as traditional wildfire insurance becomes more expensive and harder to secure.

- Keeps dollars working for customers: Instead of paying premiums to an outside insurer, funds stay within the policy and can be invested over time and used to benefit customers.
- More control and stability: NV Energy with oversight from the PUCN can design the policy rather than relying on a commercial market where prices and availability can change year to year.
- Complements existing coverage: This does not replace traditional insurance. It works alongside it. Commercial coverage continues to address near-term risk, while captive insurance provides an additional layer for larger, less predictable events.

HOW DOES IT IMPACT CUSTOMERS?

Like traditional insurance, the policy would be funded through rates and designed to minimize volatility and long-term cost.

- The proposed wildfire captive insurance rates are based on a PUCN-approved allocation that reflects wildfire risk and prevention efforts, with a larger share assigned to Northern Nevada where the risk is highest.
 - ~\$3/month (Northern Nevada residential)
 - ~\$0.21/month (Southern Nevada residential)
- Shareholders contribute if the fund is used.

Status:

- In Phase I (June 2025), the Commission determined NV Energy should carry roughly \$1 billion–\$1.5 billion in wildfire liability coverage and recommended the company secure an additional \$500 million to meet the recommended coverage.
- Phase II (June 3–5, 2026) focused on one question: Is NV Energy's proposed self-insurance policy a reasonable way to provide that additional coverage compared to traditional insurance?
- The PUCN will soon deliver an order to determine the outcome of this proceeding.

BOTTOM LINE

This approach aligns with how insurance is traditionally structured, with costs reflected through rates over time. The key question isn't whether coverage is funded this way, but how the policy is designed to work for customers. Ultimately, it provides a safeguard against much larger financial impacts, like sudden rate spikes or service disruptions following a major uninsured wildfire.