



A reciprocal exchange managed by Federated Rural Electric Management Corp.

August 30, 2016

Florida Electric Cooperatives Assoc.
Attn: Michelle Hershel
2916 Apalachee Parkway
Tallahassee FL 32301

Subject: Lines, poles and electrical substations

Dear Ms. Hershel:

According to policy form ARB-1 (7-11), the distribution lines and poles are not considered as covered property. Please refer to part **C. Property Not Covered**, paragraph 5 where it states:

C. Property Not Covered

This policy does not cover:

2. *Pole mounted transmission and distribution lines and equipment including the supporting structures; pole, platform or pad mounted transformers including the supporting structures; switches and similar devices including the supporting structures; metering systems of any kind once they are installed on the policyholders system. However, coverage does apply to these items if included within a substation not excluded under this policy.*

Insurance coverage has never been and is currently not reasonably available in the insurance market for lines and poles. Federated has occasionally had its broker search the marketplace for coverage for lines and poles and has received verification that such insurance is not available.

According to policy form ARB-1 (7-11), damage to an electrical substation resulting from a flood, surface water, etc. is not covered. Please refer to part **D. Losses Not Covered**, paragraphs 4.a and 4.b. where it states:

D. Losses Not Covered

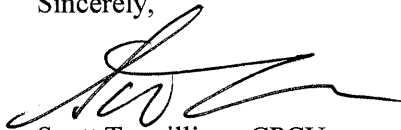
4. *Losses resulting from water:*
 - a. *Flood, surface water, waves, tides, tidal waves, overflow of any body of water, or their spray, all whether driven by wind or not;*
 - b. *Mudslide or mudflow;*

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The National Flood Insurance Plan requires four walls and a roof in order to be eligible to be covered under the flood insurance program. Therefore, electrical substations do not meet these underwriting requirements and as such are unable to be insured under a flood policy.

If you have any questions or if you need any additional information, please contact me.

Sincerely,

A handwritten signature in black ink, appearing to read 'Scott Terwilliger', with a stylized flourish at the end.

Scott Terwilliger, CPCU
Claims Manager