

CHELAN COUNTY PUD INSURANCE PROGRAM

Policy Renewal 2017-2018
Commissioner Board Meeting
June 5, 2017

Introduction

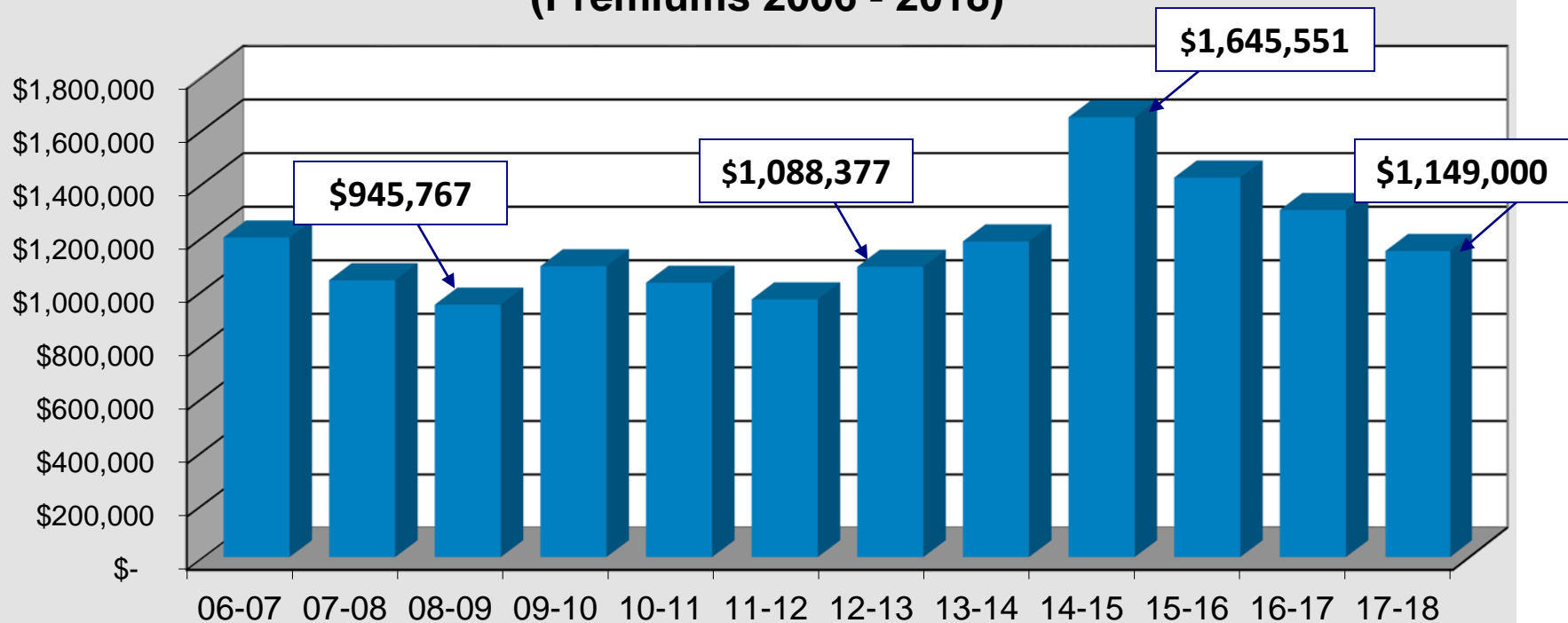
- Presentation for information purposes only. No action required today
- Annual update on insurance premiums
- Insurance policies renewal date is July 1, 2017
- Premiums and terms will be negotiated up to renewal date
- Motion requesting authorization for insurance program renewal with a “not to exceed” amount will be presented to Board for consideration on June 26th

Insurance Program Marketing

- Supports District Value: Stewardship
 - Protecting public resources entrusted to us:
Managing Risks, Controlling Costs
- Insurance Underwriter Meetings:
 - Highlight District characteristics that demonstrate the quality of PUD operations and management
 - Respond to Underwriter concerns; Oroville Dam
- Asset Management Program Development:
 - Generation: Predictive maintenance vs. running to failure
 - Detailed generator condition assessments
 - Allocating resources based on criticality

- Other Factors Influencing Renewal:
 - No new District insurance claims
 - Competitive insurance market
 - PUD financial strength and investment in generation
 - Property Appraisal – Rock Island (-22%)
 - Insurance engineering risk assessment results
 - Liability, Fire Prevention and Mechanical Breakdown
 - *I really am impressed with Chelan PUD. I can honestly say that I've never worked with a utility that had their act together as you guys do.*
Mechanical Breakdown Engineer - Keith Schafer
- Negotiate optimal terms, conditions and premiums

PROPERTY (Premiums 2006 - 2018)



2016-2017 Premium: \$ 1,299,262

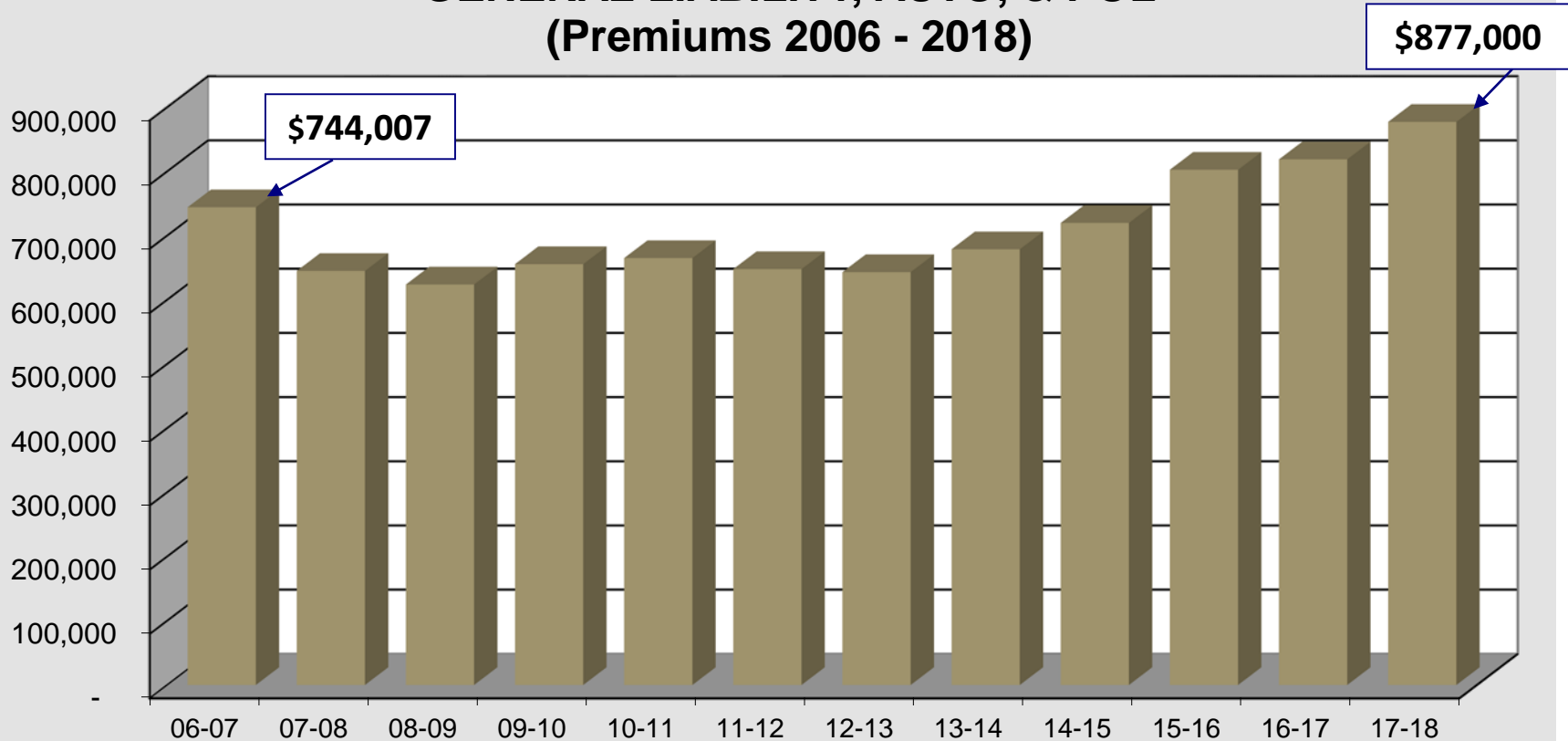
Limit: \$350 million

2017-2018 Premium: \$ 1,149,000*

Decrease: 11.6 %

***Estimated cost, quotes still being received**

GENERAL LIABILITY, AUTO, & POL (Premiums 2006 - 2018)



2016-2017 Premium: \$818,672

Limit raised \$25 million to \$100 million in 2015
 Recommend increasing limit to \$125 million

Limit: \$125 million
 (recommended)

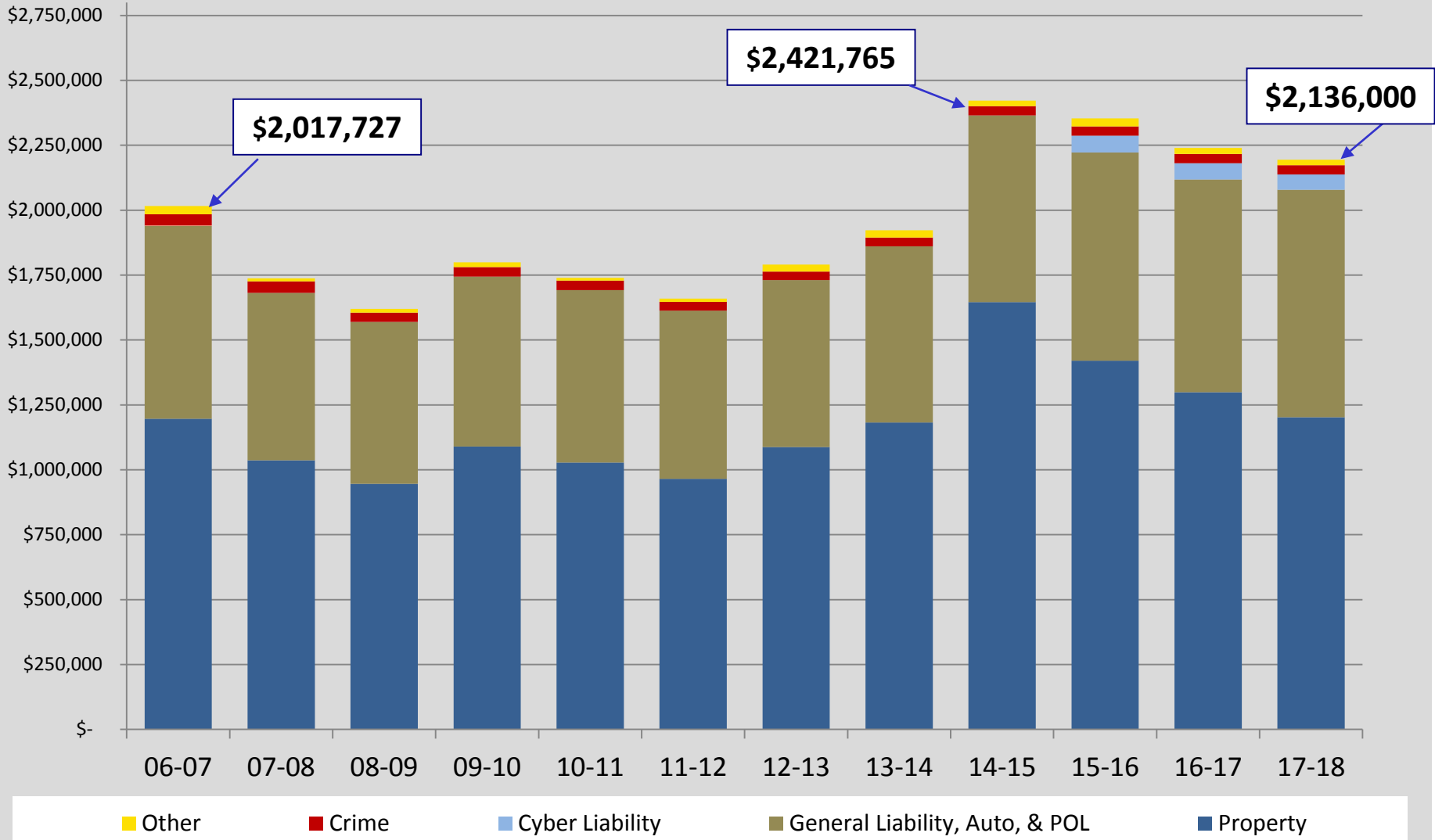
2017-2018 Premium: \$877,000*

\$100M limit: \$802,000*

Increase: 7.1%
 -2.0%

***Estimated costs, quotes still being received**

Insurance Policy Premiums 2006-2018



Premium Summary

<u>Coverage:</u>	<u>Limit</u>	<u>Deductible</u>	<u>2016-2017</u>	<u>2017-2018</u>
Property/Mechanical Breakdown (Includes \$10M Lost Revenue Cover)	\$ 350M	\$1M/ \$500k	\$ 1,299,262	\$ 1,149,000
General/Auto/Public Officials Liability	\$100M**	\$2M	818,672	877,000
Crime	\$25M	\$100k	35,600	36,000
Non-Owned Aircraft	\$10M	\$0	5,740	6,000
Fiduciary Liability	\$10M	\$25k	17,331	15,000
Cyber Liability	\$5M	\$50k	62,980	53,000
			2,239,585	2,136,000 (negotiating)
Total			<i>Estimated:</i> \$ 2,136,000	Consistent with 2017 Budget

*Estimates

** Recommending increase to \$125M

Estimated 4.6% Decrease

Draft Motion for June 26th

It is recommended to complete the annual negotiation process with a “not to exceed” amount of \$2,140,000* for premium renewals with the Commission’s approval of the following motion: Commission authorizes expenditures by the District not to exceed \$2,140,000* plus surplus lines taxes and fees, for the purchase of District insurance for July 1, 2017-2018 policies upon terms and conditions approved by the General Manager.

*To be finalized prior to June 26th Board meeting

Next Steps

- Continue to pursue and negotiate best insurance terms and conditions up to renewal date
- Return in three weeks to request motion for Board to approve 2017-2018 insurance program renewal for an “up to” amount.
- Complete insurance policy renewals by July 1
- Questions?