

CHELAN COUNTY PUD INSURANCE PROGRAM

Policy Renewal 2007-2008

Supports Balanced Scorecard Goal: Manage Financial Risks





INSURANCE MARKETING PROCESS 2007-2008

- Marketing: Selling the District as a quality risk to insurers.
- Current policies expire 6/01/2007.
- Insurance Applications delivered to broker in February.
- Broker completed specification binders and submitted to carriers in March. (Specifications include applications, loss data & PUD financial/operational info)
- Marketing presentation delivered to 20 insurance companies in March and April.
- Quotes began arriving first week of May; negotiations ensued.
- Final steps: Present insurance proposal to board; Motion of the board to approve June 2007-2008 policy purchases.



Target: Return PUD premiums to 2000 levels paid prior to 9/11, Financial Scandals & Florida/Gulf Hurricanes.

Factors in PUD favor:

- Good story to tell. Great loss record; AA financial rating; Investment in resources.
- Insurance companies had good year; no hurricanes despite forecasts.
- Increased profits = increased capital flowing into the market.
- Greater competition gives PUD negotiating leverage.
- PUD has established long-term relationships with insurers.
- Underwriters are under pressure to grow business.



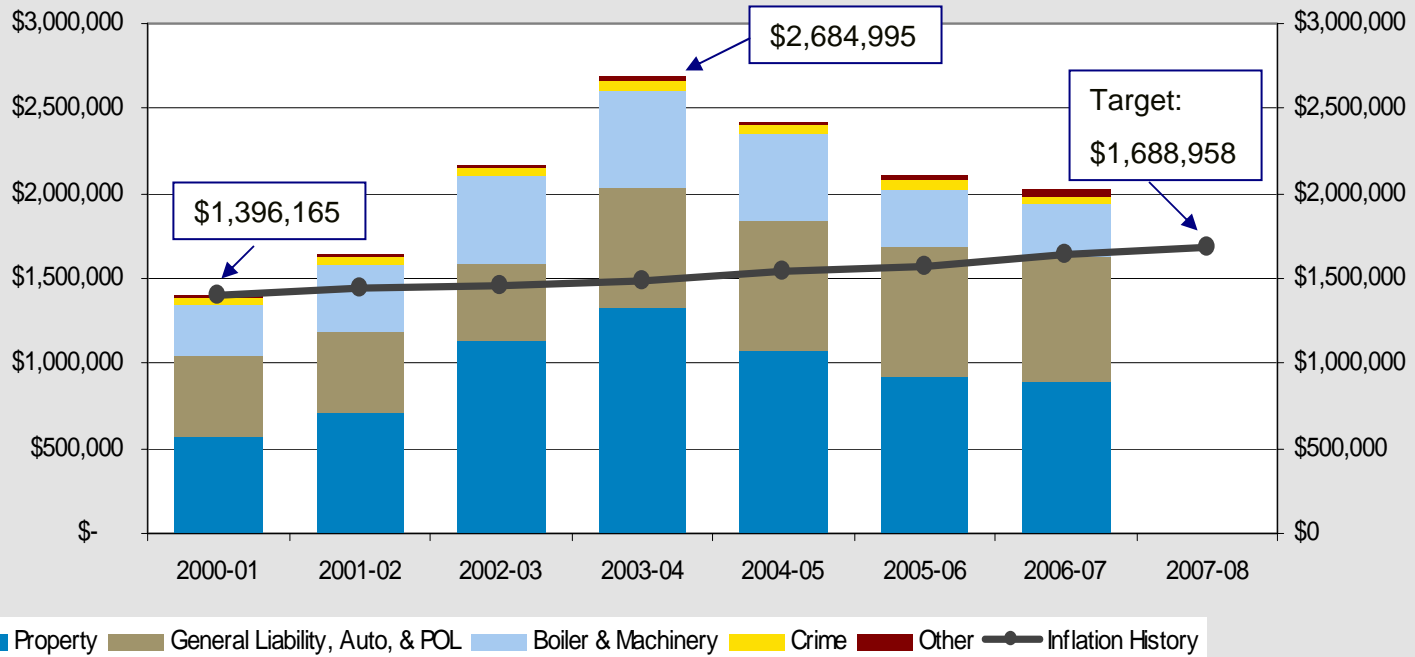
Target: Return PUD premiums to 2000 levels paid prior to 9/11, Financial Scandals & Florida/Gulf Hurricanes.

Factors working against PUD:

- Perception that PUD is an earthquake risk.
- Poor utility industry loss record – some insurance companies won't insure utilities. (PUD sometimes identified with gas & coal generators).
- The PUD pays low rates - some companies cannot compete.
- Many underwriters do not understand hydro dam engineering and are afraid dams are vulnerable to flood or collapse.
- Construction costs have risen greater than inflation increasing property values. We report \$3.3 billion replacement cost vs. \$1.5 booked.
- Increased property values cause upward pressure on premiums.

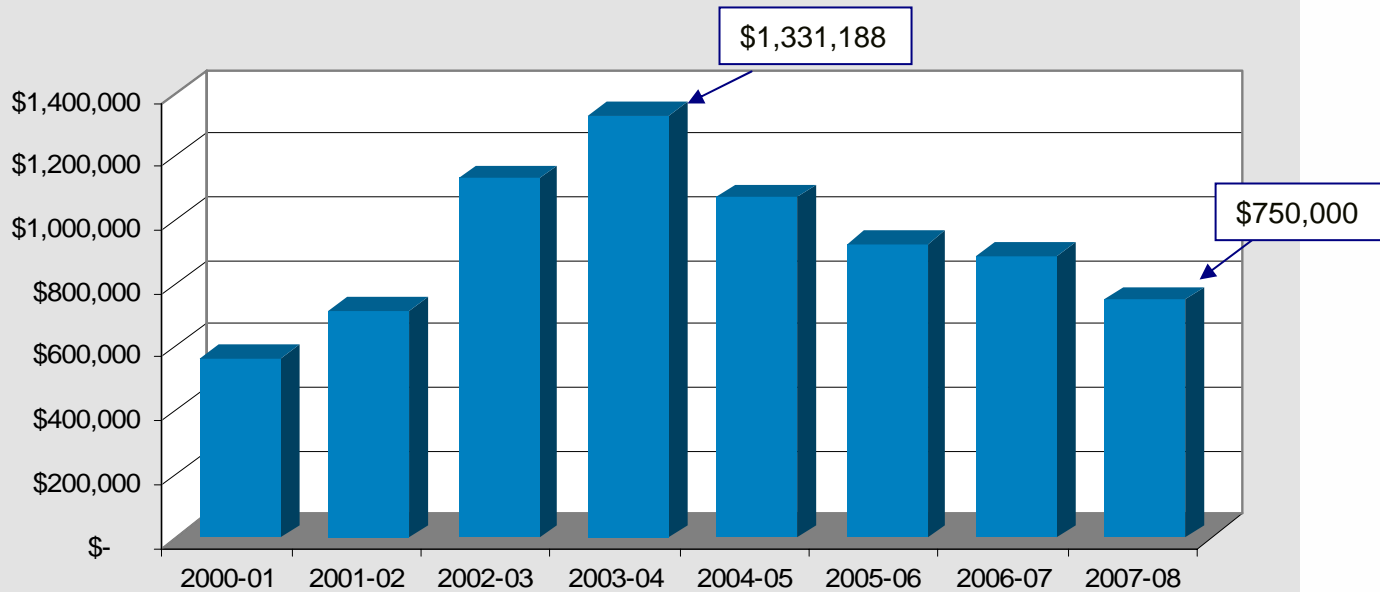


June Insurance Policy Premiums vs. Inflation since 2000





PROPERTY (Premiums 2000 - 2008)



2006-2007 Premium: \$887,129

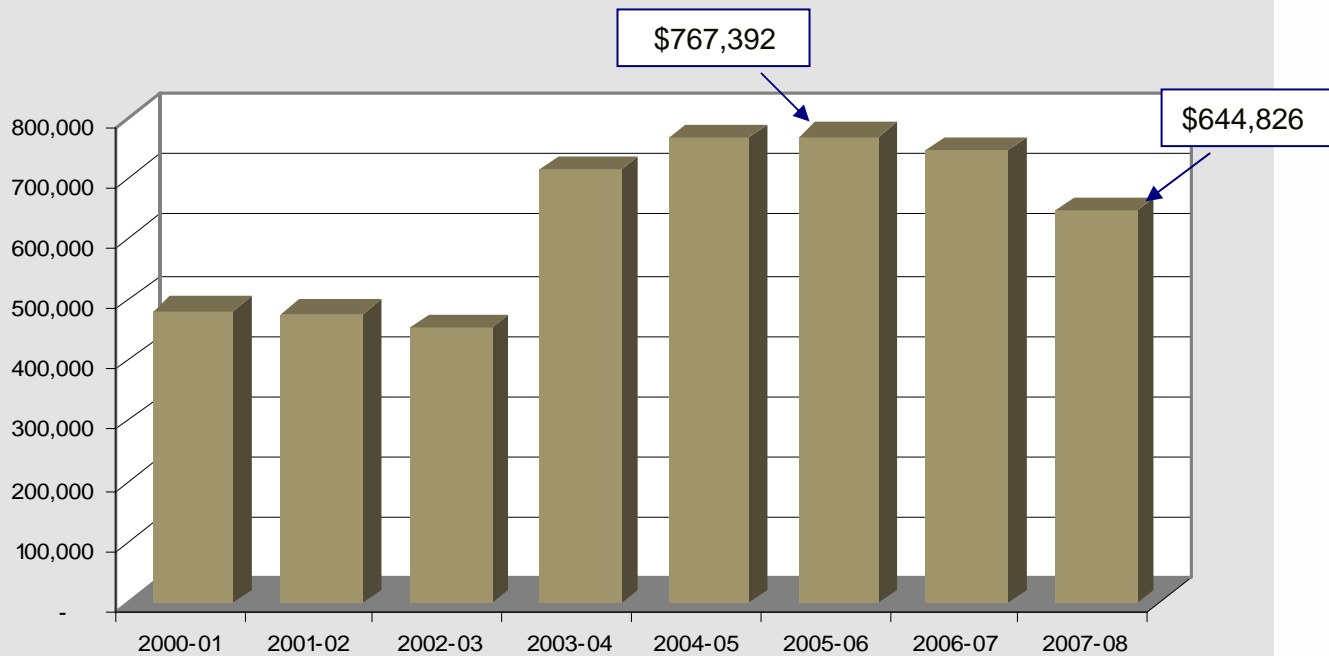
Limit: \$350 million

2007-2008 Premium: \$750,000

Decrease: 15.5%



LIABILITY: GENERAL, AUTO, & PUBLIC OFFICIALS (Premiums 2000 - 2008)



2006-2007 Premium: \$744,077

Limit: \$75 million

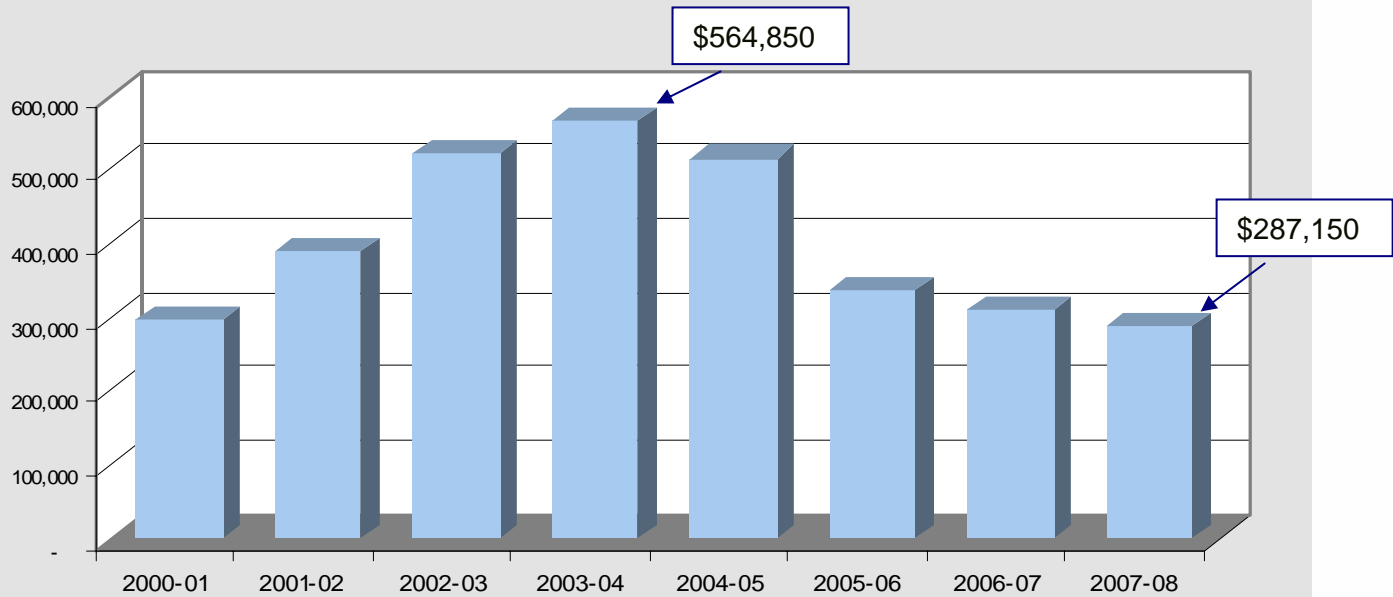
Public Officials: \$35 million

2007-2008 Premium: \$644,826

Decrease: 13.3%



BOILER & MACHINERY (Premiums 2000 - 2008)



2006-2007 Premium: \$309,600

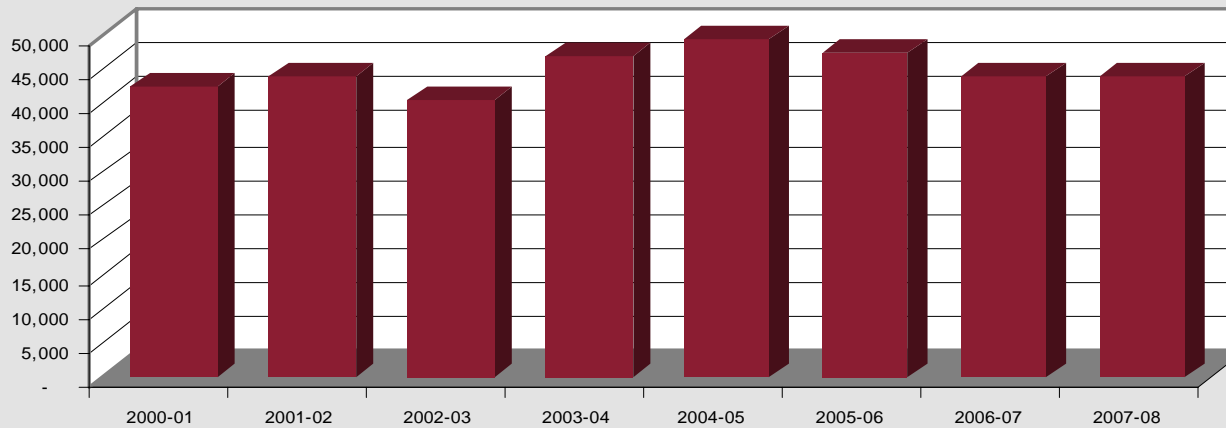
Limit: \$200 million

2007-2008 Premium: \$287,150

Decrease: 7.3%



CRIME (Premiums 2000 - 2008)



2006-2007 Premium: \$43,669

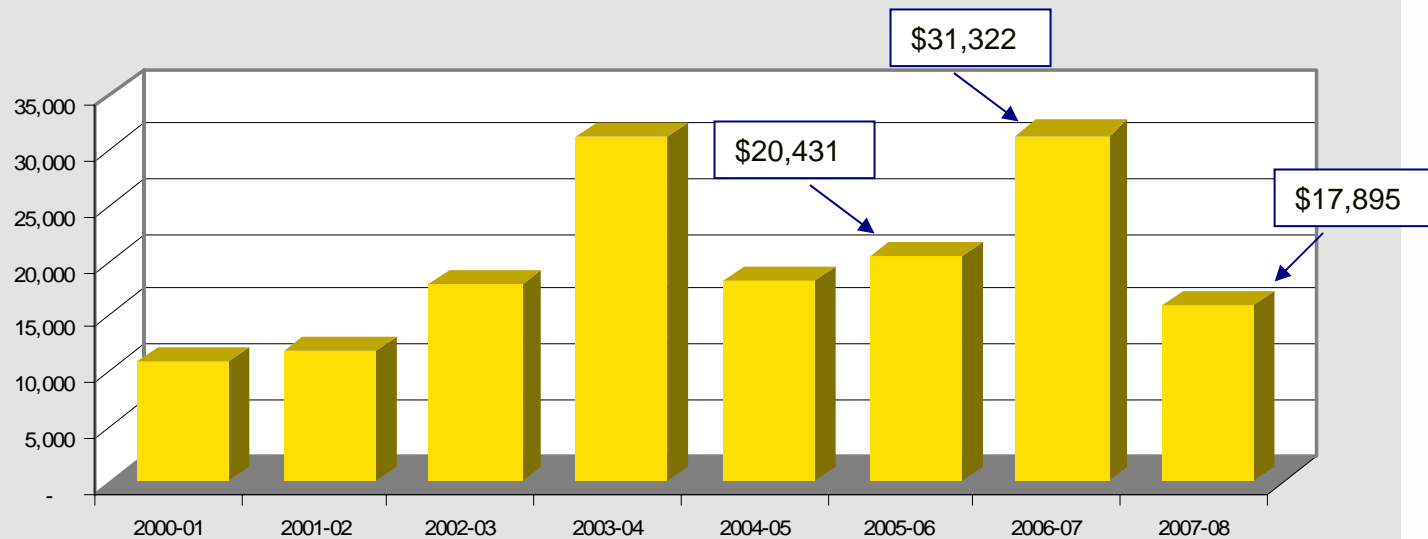
Limit: \$35 million

2007-2008 Premium: \$43,669

Decrease: 0%



NON-OWNED AIRCRAFT, EXECUTIVE PROTECTION & BLACKOUT/BROWNOUT LIABILITY (Premiums 2000 - 2008)



2006-2007 Premiums: \$31,322

(Included 3 yr pre-paid Exec. Protection Policy)

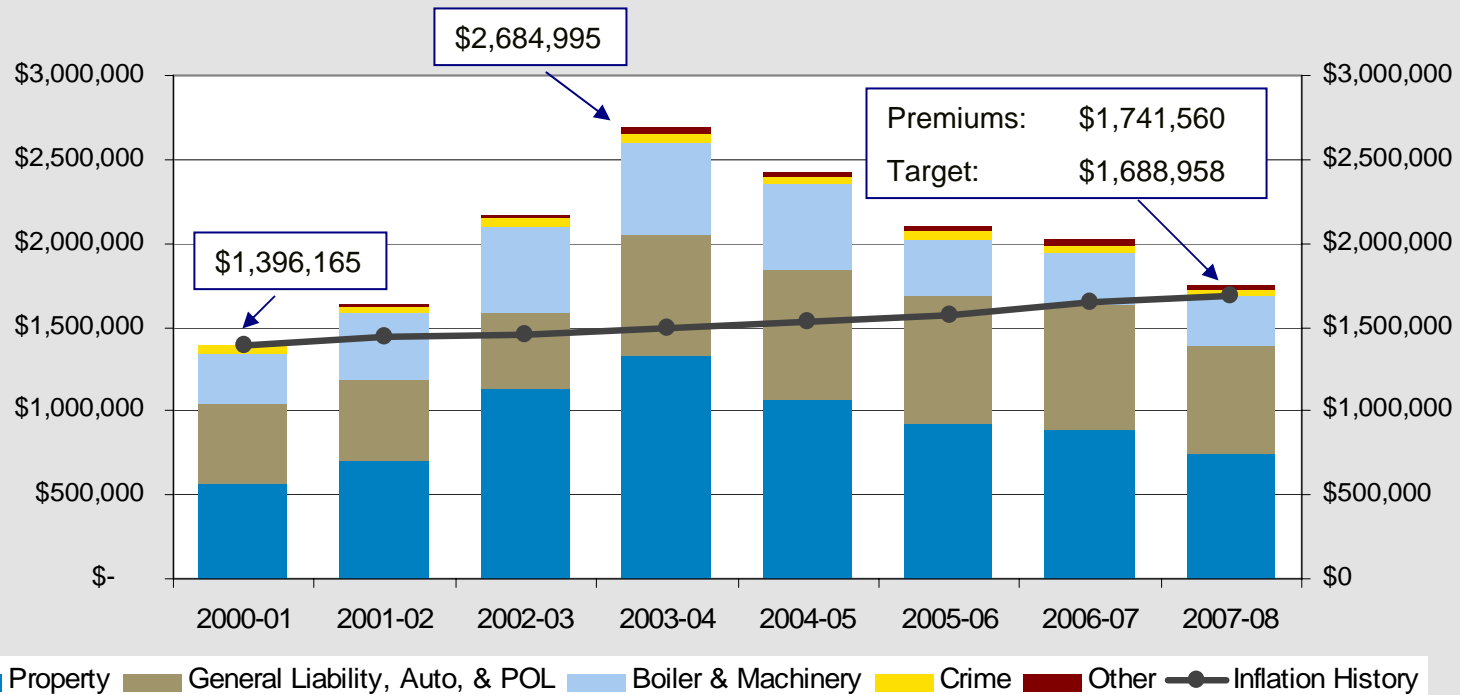
Compared to 2005-06

2007-2008 Premiums: \$17,895

Decrease: 12.4%



June Insurance Policy Premiums





2007-2008 PUD premiums are within 3.1% of target.

2006-2007 June Premiums: \$2,015,726

2007-2008 June Premiums: \$1,741,560

Savings \$ 274,166 or 13.6%

Largest percentage decrease since 1994.

Questions?

Motion to vote on 2007-2008 June insurance premiums.