



# CHELAN COUNTY PUD INSURANCE PROGRAM



Policy Renewal 2009-2010

Supports Balanced Scorecard Goal: Manage Financial Risks



**Target: Maintain PUD premiums at benchmark based on 2000 premiums**

Factors in PUD favor:

- Another year with no losses that hit insurance layer.
- Continued investment in resources - modernization.
- Left no stone unturned looking for potential insurance partners.
- Insurance engineers like our responsiveness to their recommendations.
- Hydro operations considered less risky than other utility business.



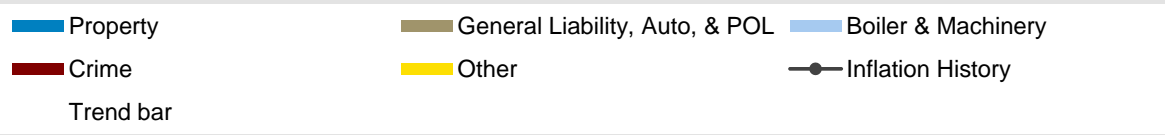
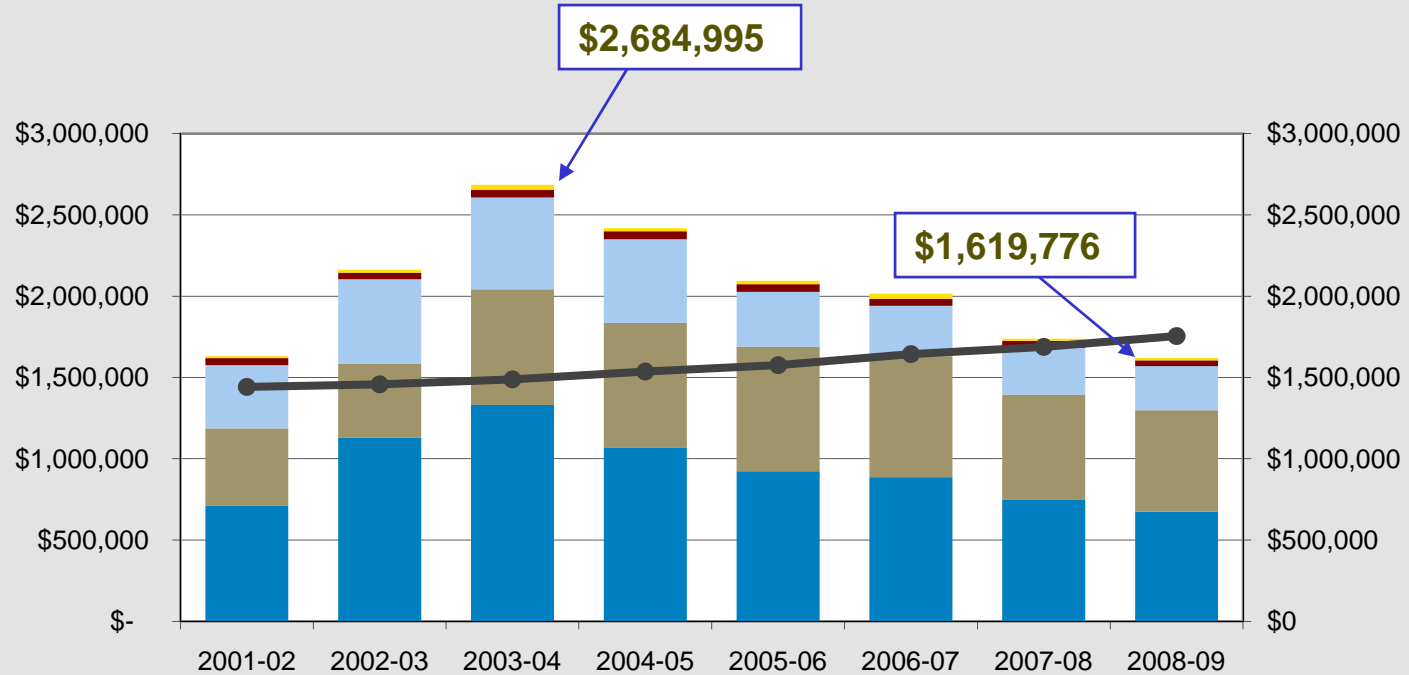
**Target: Maintain PUD premiums at benchmark based on 2000 premiums**

2009 Challenges:

- Insurance carrier investments in sub-prime mortgages, stock market - AIG
- Similar to banks, financial turmoil leads insurers to take more conservative approach with premiums and coverage.
- Rocky Reach property appraisal increased District values 18%.
- Record losses – 3<sup>rd</sup> highest loss year on record adjusted for inflation. Wild fires in California, cyclones in Asia, hurricanes Ike & Gustav, refinery fire & China earthquake.

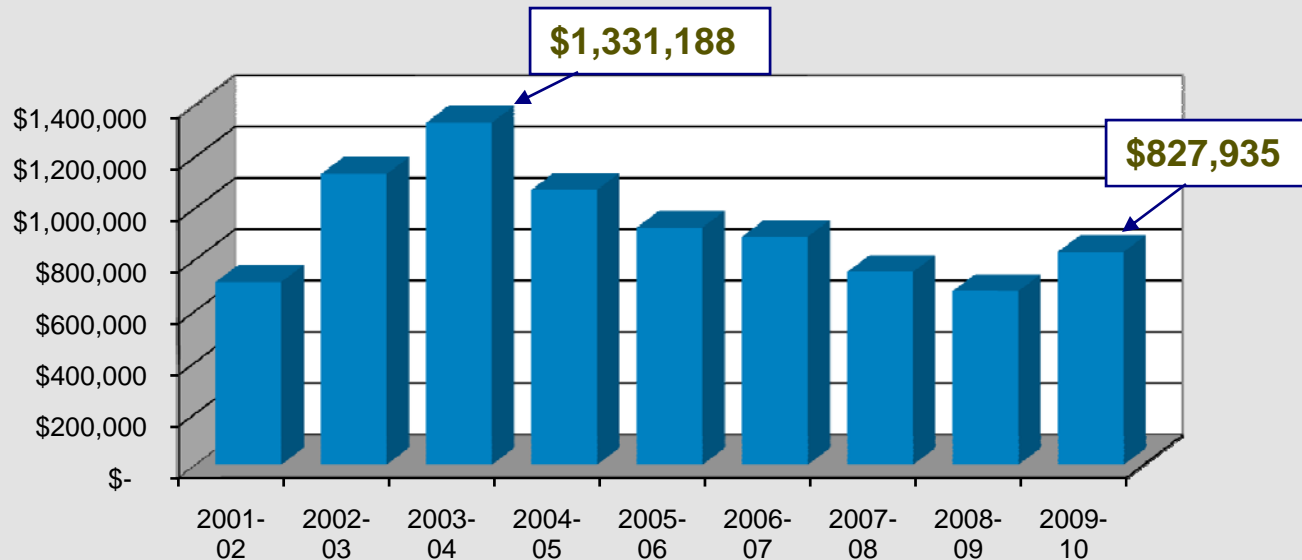


## Insurance Policy Premiums History through June 2009





### PROPERTY (Premiums 2000 - 2010)



2008-2009 Premium: \$675,606

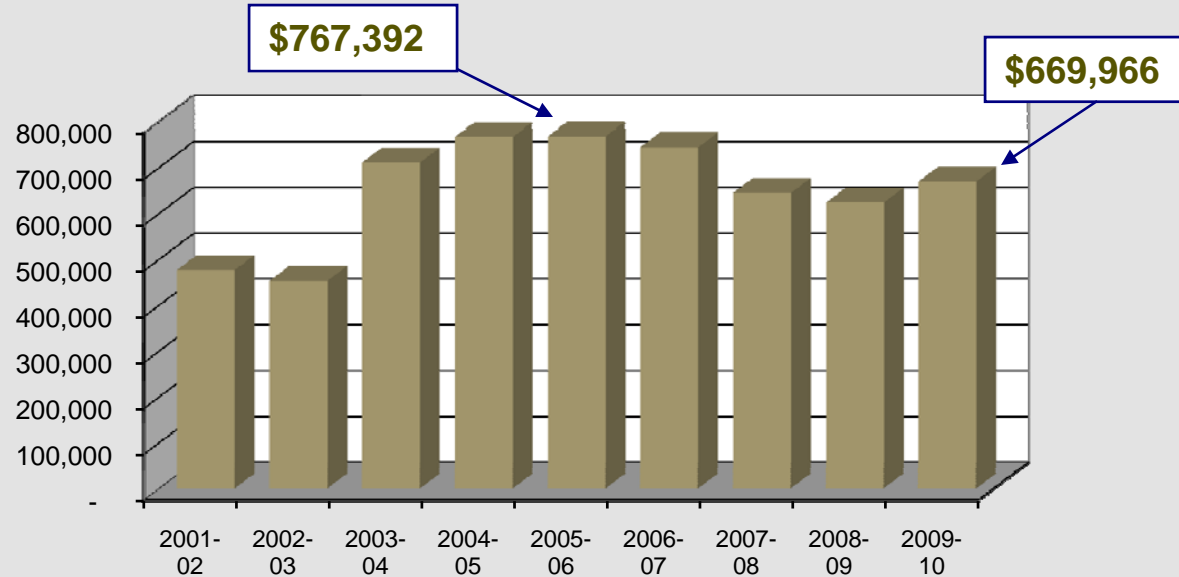
Limit: \$350 million

2009-2010 Premium: \$827,935

Increase: 22.5%



### GENERAL LIABILITY, AUTO, & POL (Premiums 2001 - 2010)



2008-2009 Premium: \$633,272

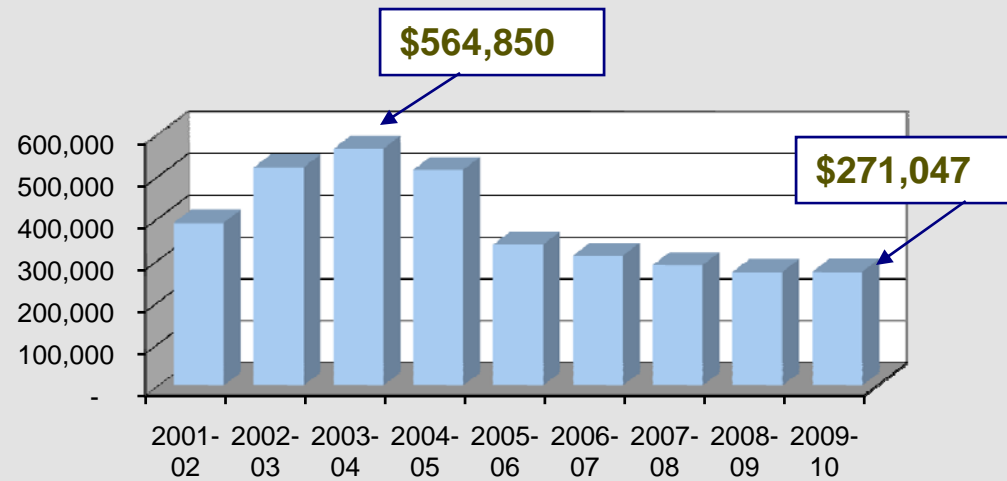
Limit: \$75 million

2009-2010 Premium: \$669,996

Increase: 5.8%



### BOILER & MACHINERY (Premiums 2001 - 2010)



2008-2009 Premium: \$270,767

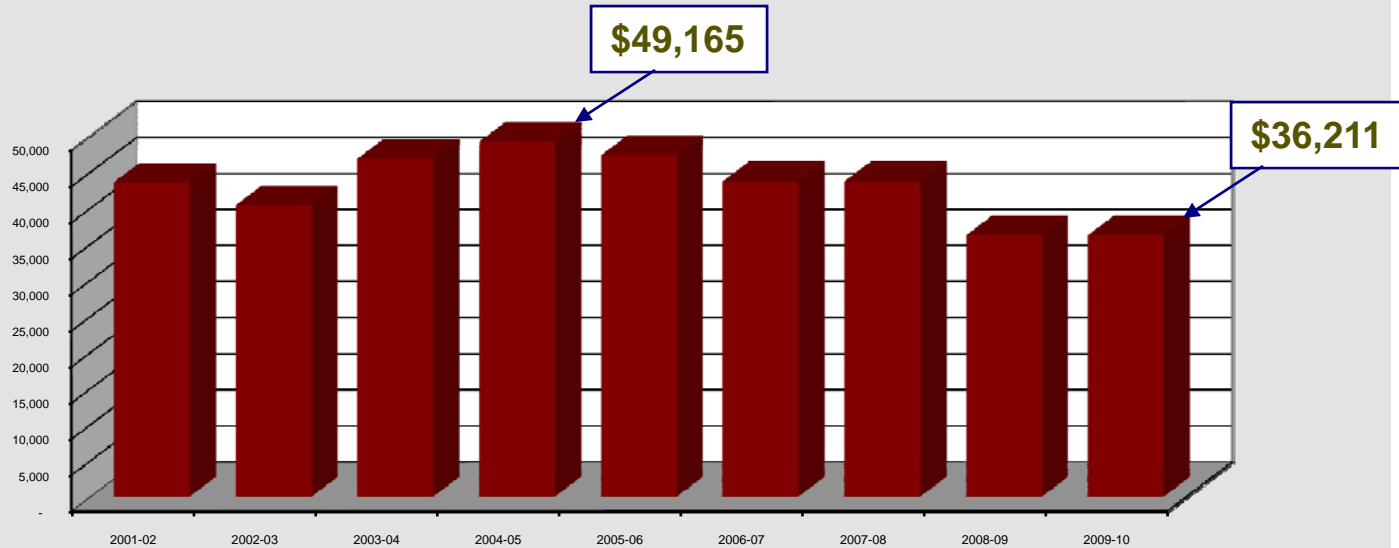
Limit: \$200 million

2009-2010 Premium: \$271,047

Increase: 0.1%



## CRIME (Premiums 2001 - 2010)



2008-2009 Premium: \$36,211

2009-2010 Premium: \$36,211

Limit: \$35 million

Increase: 0%



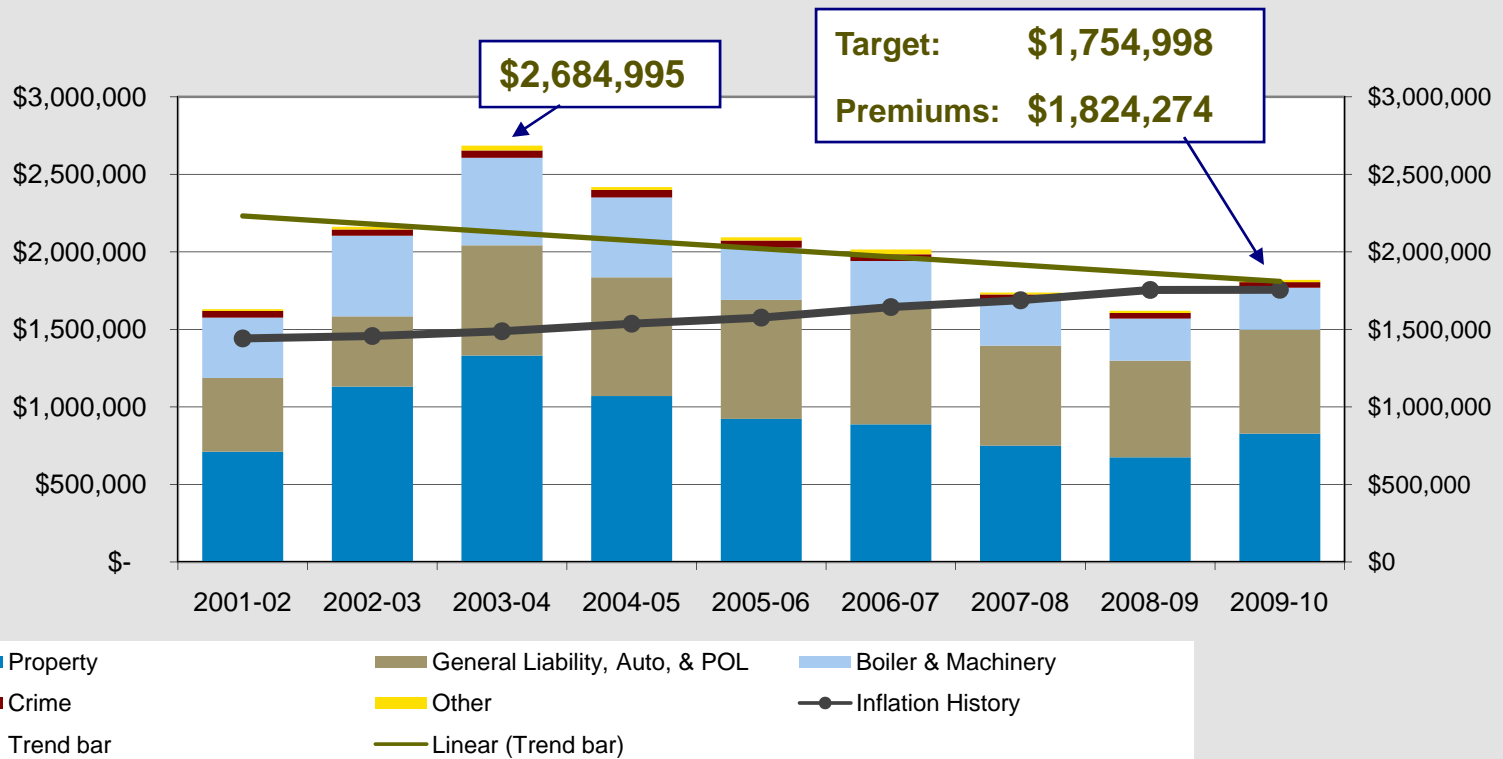
**Standard Policies**

	<u>6/08 - 6/09</u>	<u>6/09 - 6/10</u>
<u>Property</u>	\$ 675,606	\$ 827,935
<u>General/Auto/Public Officials Liability</u>	633,272	669,075
<u>Boiler &amp; Machinery</u>	270,767	271,047
<u>Crime</u>	36,211	36,211
<u>Non-Owned Aircraft</u>	5,850	5,850
<u>Kidnap &amp; Ransom (3 year pre-paid)</u>	9,319	8,156
<u>Blackout/Brownout Liability</u>	5,618	6,000 *
	<u>\$ 1,617,676</u>	<u>\$ 1,824,274</u>

\*Estimate



## June Insurance Policy Premiums





## **2009-2010 PUD premiums above target by 3.9%**

2008-2009 June Premiums: \$1,619,776

2009-2010 June Premiums: \$1,824,274

**Premium Increase: \$ 204,498 or 12.6%**

**4.0% under budget**

Conclusion: While we encountered a set-back in rates this year, we are still very near our target. Even given the 18% property value increase, sub-prime mortgage investments and 2008 insurance losses, the premium result came in better than we anticipated during budgeting.

Questions?

Motion for 2009-2010 June insurance premiums:

Commission authorizes expenditures by the District not to exceed \$1,830,000 plus surplus lines taxes and fees, for the purchase of District insurance for June 1, 2009-2010 policies.