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
2016-2017 Premium: $1,299,262
2017-2018 Premium: $1,149,000*

Limit: $350 million
Decrease: 11.6%

*Estimated cost, quotes still being received
2016-2017 Premium: $818,672
Limit raised $25 million to $100 million in 2015
Recommend increasing limit to $125 million

2017-2018 Premium: $877,000*
$100M limit: $802,000*
Increase: 7.1%

*Estimated costs, quotes still being received
# Premium Summary

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

*Estimates

** Recommending increase to $125M

*Estimated: $ 2,136,000
Consistent with 2017 Budget

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?