

CHELAN COUNTY PUD INSURANCE PROGRAM

POLICY RENEWAL 2020-2021



CHELAN COUNTY

**Commissioner
Board Meeting**
June 15, 2020

Introduction

- Annual update on insurance premiums and renewal
- Insurance policies renewal date is July 1, 2020
- Premiums and terms will be negotiated up to renewal date
- Motion requesting authorization for insurance program renewal with a “not to exceed” amount of \$3,300,000

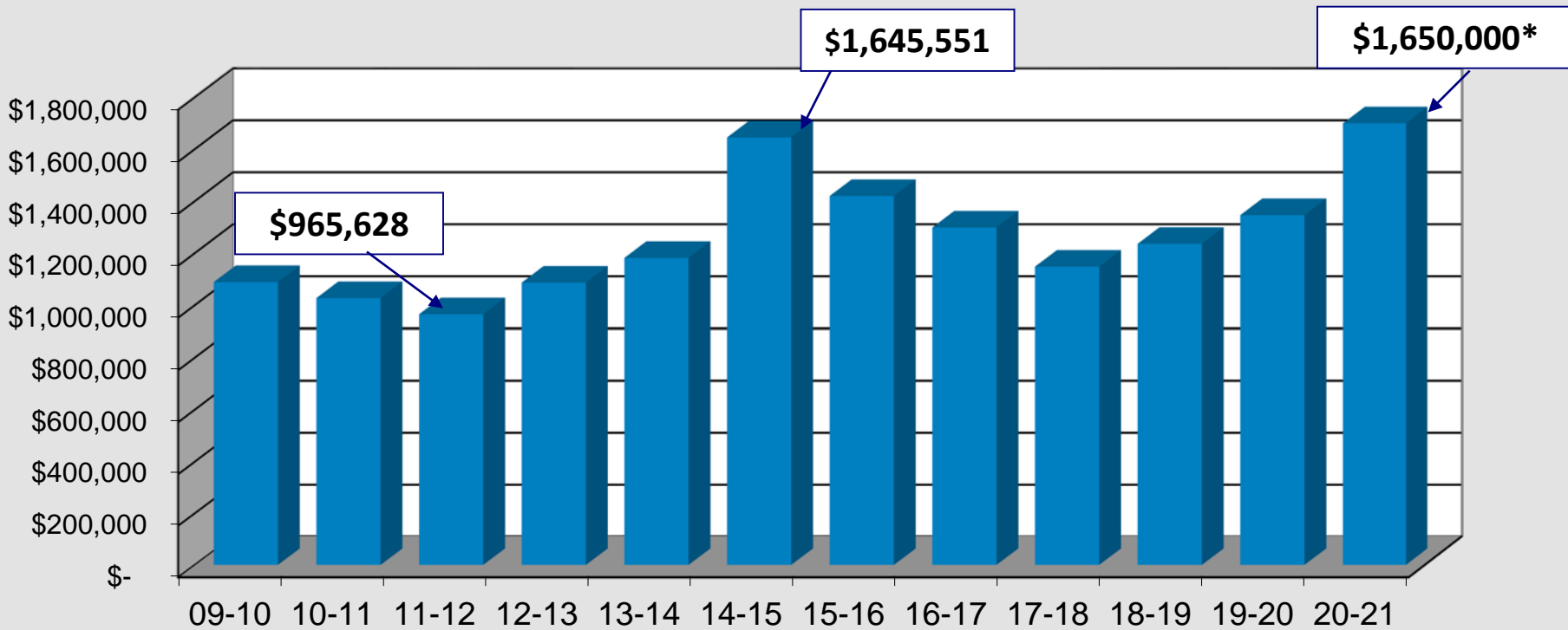
Insurance Program Marketing

- 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
 - Managing Property Risk: Investments in modernizing generation; focus on durability for PH2 design-build contract; asset management program; Hydro Research Institute
 - Utility liability: Wildfire risk mitigation strategies including review of vegetation management program; risk modeling.
 - Excellent results from insurance engineer liability risk assessment; no recommendations

Insurance Program Considerations

- Worldwide insurance market for property coverage is hardening significantly
- Utility losses driving up premiums for industry; LPPC
- District claims for C8-C11 likely impacting rates
- Property values increased 5.3%
- Liability insurance rates rising due to insurance wildfire models and elevated jury awards for all types of losses
- The 2020 insurance budget reflects the expectation that hardening markets would result in higher than normal premium increases
- Negotiations are ongoing

PROPERTY (Premiums 2009 - 2021)



2019-2020 Premium: \$ 1,300,768

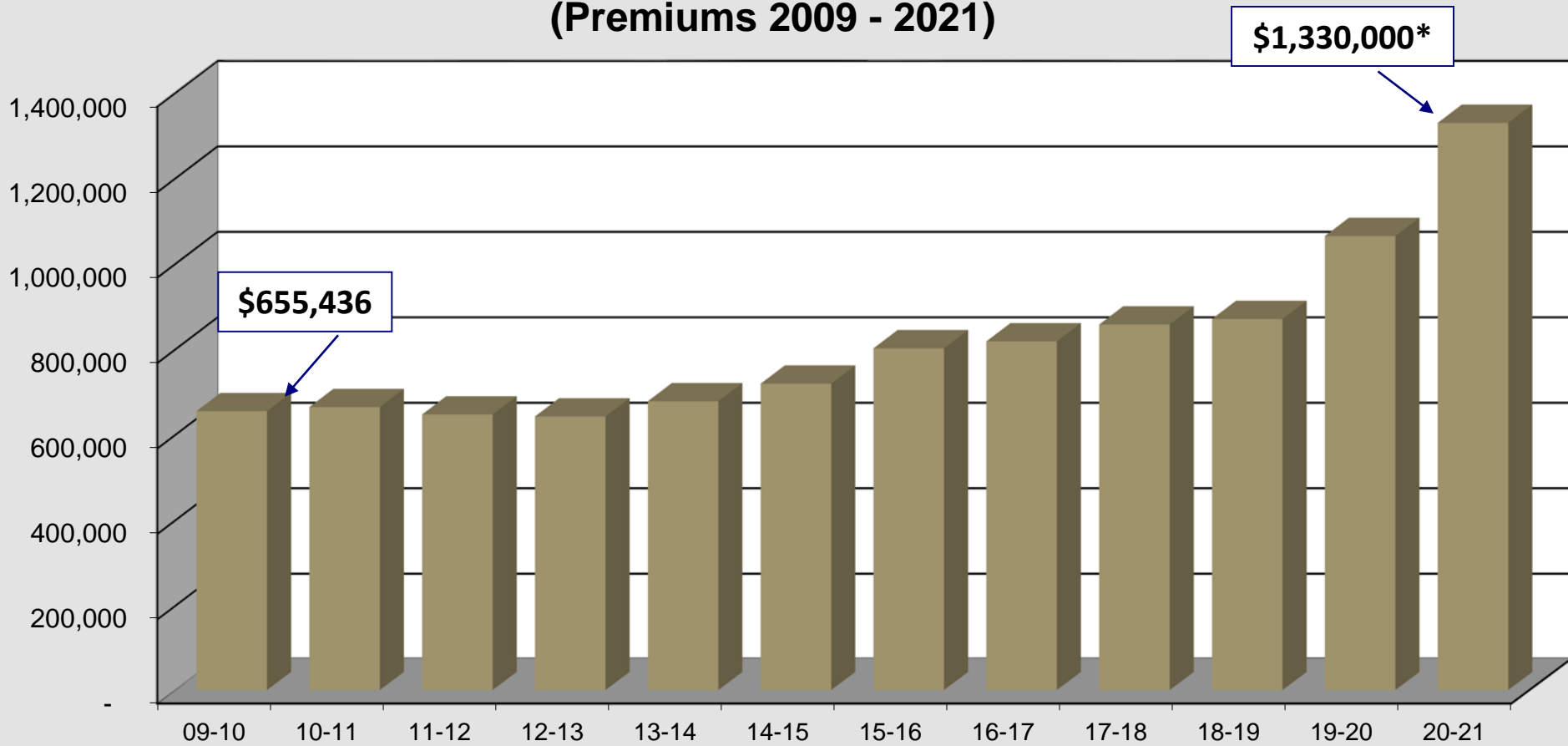
Limit: \$350 million

2020-2021 Premium: \$ 1,650,000*

Increase: 26.8%

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

GENERAL LIABILITY, AUTO, & POL (Premiums 2009 - 2021)



2019-2020 Premium: \$1,065,216

Limit: \$150 million

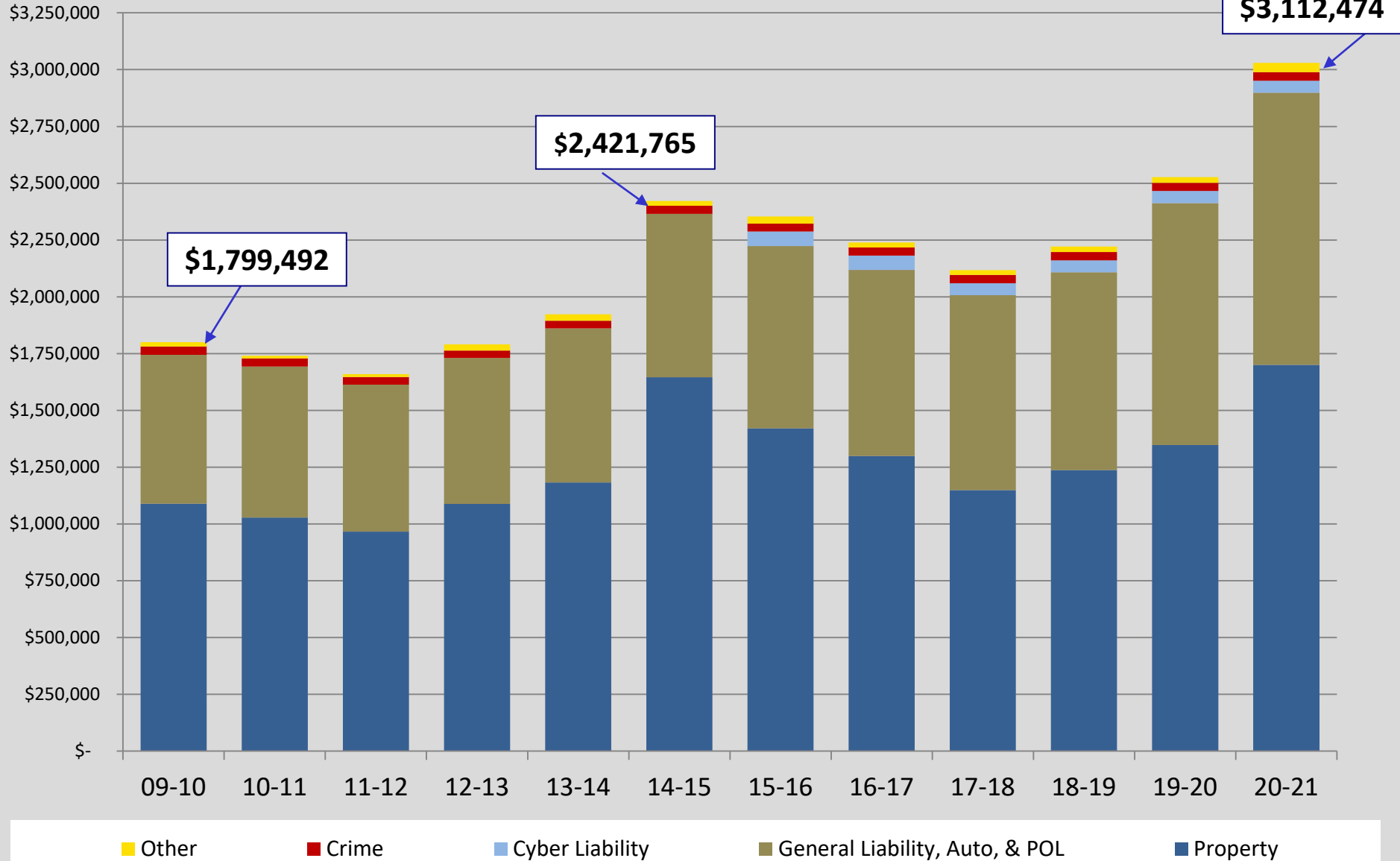
2020-2021 Premium: \$1,330,000*

Increase: 25%*

*Estimated costs, quotes still being received

Note: Limits were increased \$25M in 2015 and again in 2019

Insurance Policy Premiums 2009-2021



Premium Summary

<u>Coverage (consistent with prior year):</u>	<u>Limit</u>	<u>Deductible</u>	<u>Actual</u> <u>2019-2020</u>	<u>Estimate*</u> <u>2020-2021</u>
Property/Mechanical Breakdown (Includes \$10M Lost Revenue Cover)	\$ 350M	\$1M/ \$500k	\$ 1,300,768	\$ 1,650,000
General/Auto/Public Officials Liability**	\$150M	\$2M	1,065,216	1,330,000
Crime	\$25M	\$100k	36,600	37,700
Non-Owned Aircraft	\$10M	\$0	6,300	7,245
Fiduciary Liability	\$10M	\$25k	18,750	20,000
Other 3-year Prepaid Policies				13,529
Cyber Liability	\$5M	\$50k	<u>53,250</u>	<u>54,000</u>
		Option 1 subtotal	2,480,884	3,112,474

Estimated 25% Increase
Exceeds 2020 Budget/Forecast by 5%

*Premiums are subject to change during negotiations

** Public Officials Liability limit is \$75M

Proposed Motion

To authorize expenditures by the District not to exceed \$3,300,000 plus surplus lines taxes and fees, for the purchase of District insurance for July 1, 2020-2021 policies upon terms and conditions approved by the General Manager.

Next Steps

- Continue to pursue and negotiate best insurance terms and conditions up to renewal date
- Complete insurance policy renewals by July 1
- Questions?