

CHELAN COUNTY PUD INSURANCE PROGRAM

POLICY RENEWAL 2021-22



CHELAN COUNTY

**Commissioner
Board Meeting**
June 14, 2021

Why We Are Here Today

- Annual update on insurance premiums and renewal
- Insurance policies renewal date is July 1, 2021
- Premiums and terms will be negotiated up to renewal date
- Motion requesting authorization for insurance program renewal with a “not to exceed” amount of \$4,275,000

Insurance Program Marketing

- Supports District Value: Stewardship
Protecting public resources entrusted to us:
Managing Risks, Controlling Costs



Insurance Program Considerations

- Worldwide insurance market for property coverage remains challenging; 15 – 25% premium increases
- Extreme reaction by insurance companies following Labor Day fires in Oregon
- Increasing number of liability carriers no longer willing to insure utilities in Pacific Northwest
- \$50M of our current \$150M liability limits will need to be replaced

Insurance Program Considerations

- Insurance carriers dramatically increasing rates 100% and higher while others apply wildfire surcharges
- Underwriters focused on utility wildfire mitigation programs
- Our long-term insurance broker unexpectedly left USI Insurance Services in May due to a merger
- We quickly pivoted to a highly regarded new brokerage firm, McGriff Insurance Services

Insurance Program Considerations

- McGriff specializes in brokering for the energy industry including power utility business
- 30% of US power generation market share
- Transition with McGriff has been efficient
- Insurance quotes will continue to come in through June as we negotiate coverages and premiums
- All quotes are expected to be delivered in advance of the July 1st renewal dates

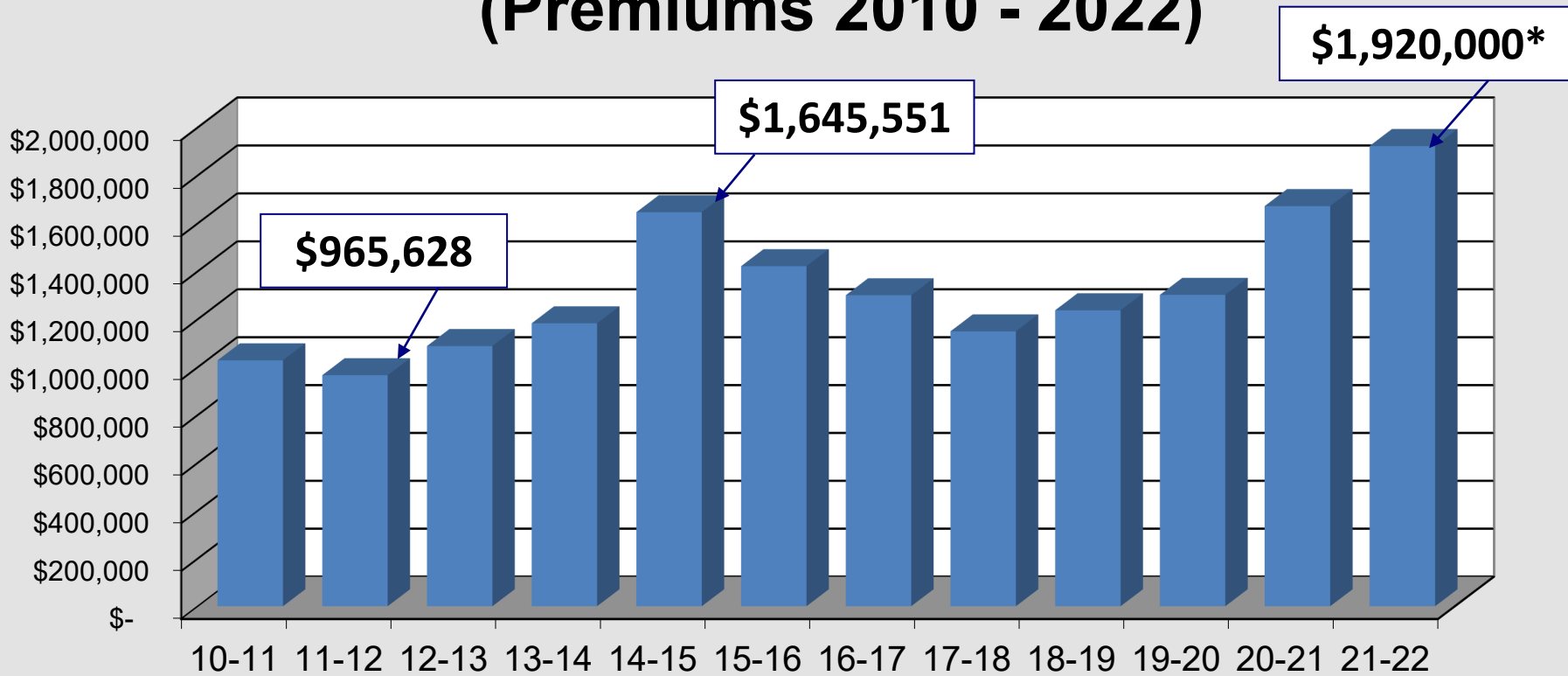
Insurance Underwriter Meetings

Highlight District characteristics that demonstrate the quality of PUD operations and management

Managing Property Risk: Investments in modernizing generation including support facilities; focus on durability for PH2 design-build contract; GE extended warranty; asset management program; Hydro Research Institute innovations

Managing Utility Liability Risk: Wildfire risk mitigation strategies including vegetation management standards; public safety outage management development; system hardening and risk modeling

PROPERTY (Premiums 2010 - 2022)



2020-2021 Premium: \$ 1,671,185

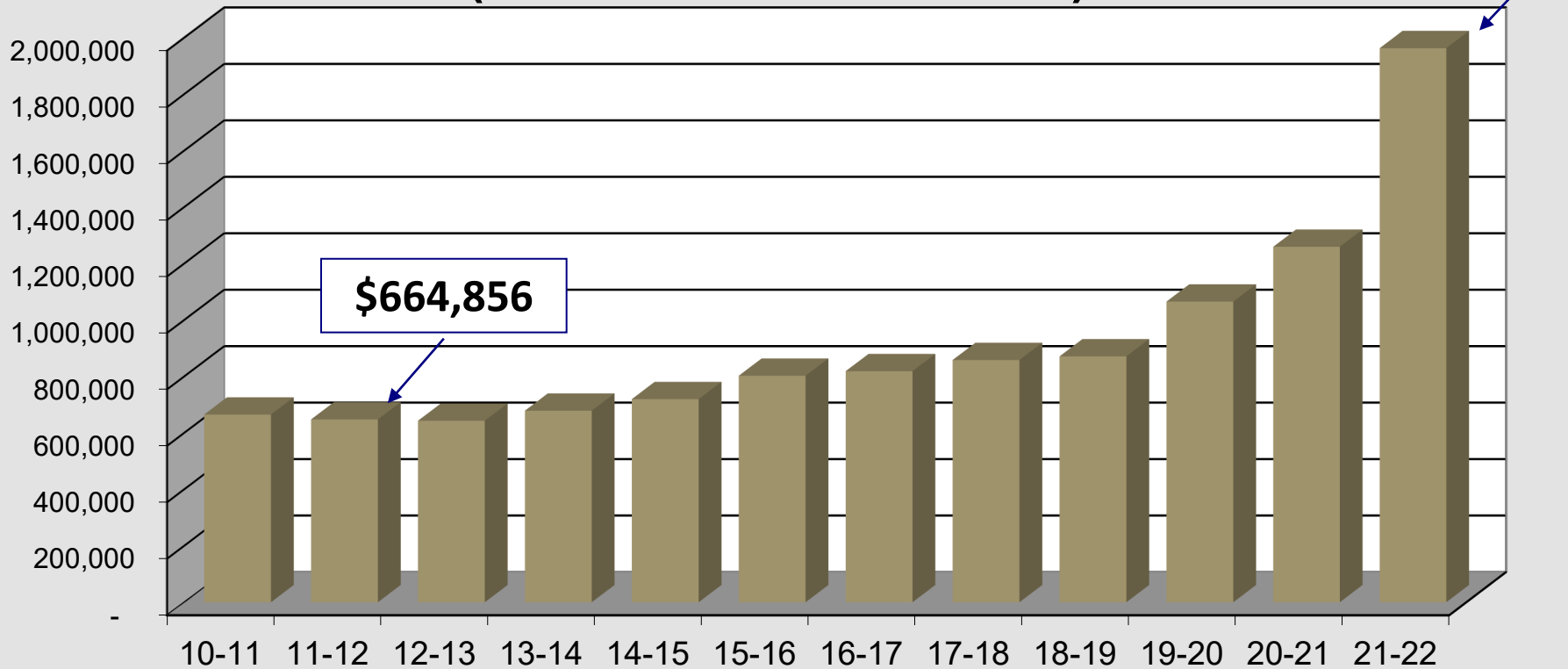
Limit: \$350 million

2020-2021 Premium: \$ 1,920,000*

Increase: 15%

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

GENERAL LIABILITY, AUTO, & POL (Premiums 2010 - 2022)



2020-2021 Premium: \$1,259,318

Limit: \$150 million

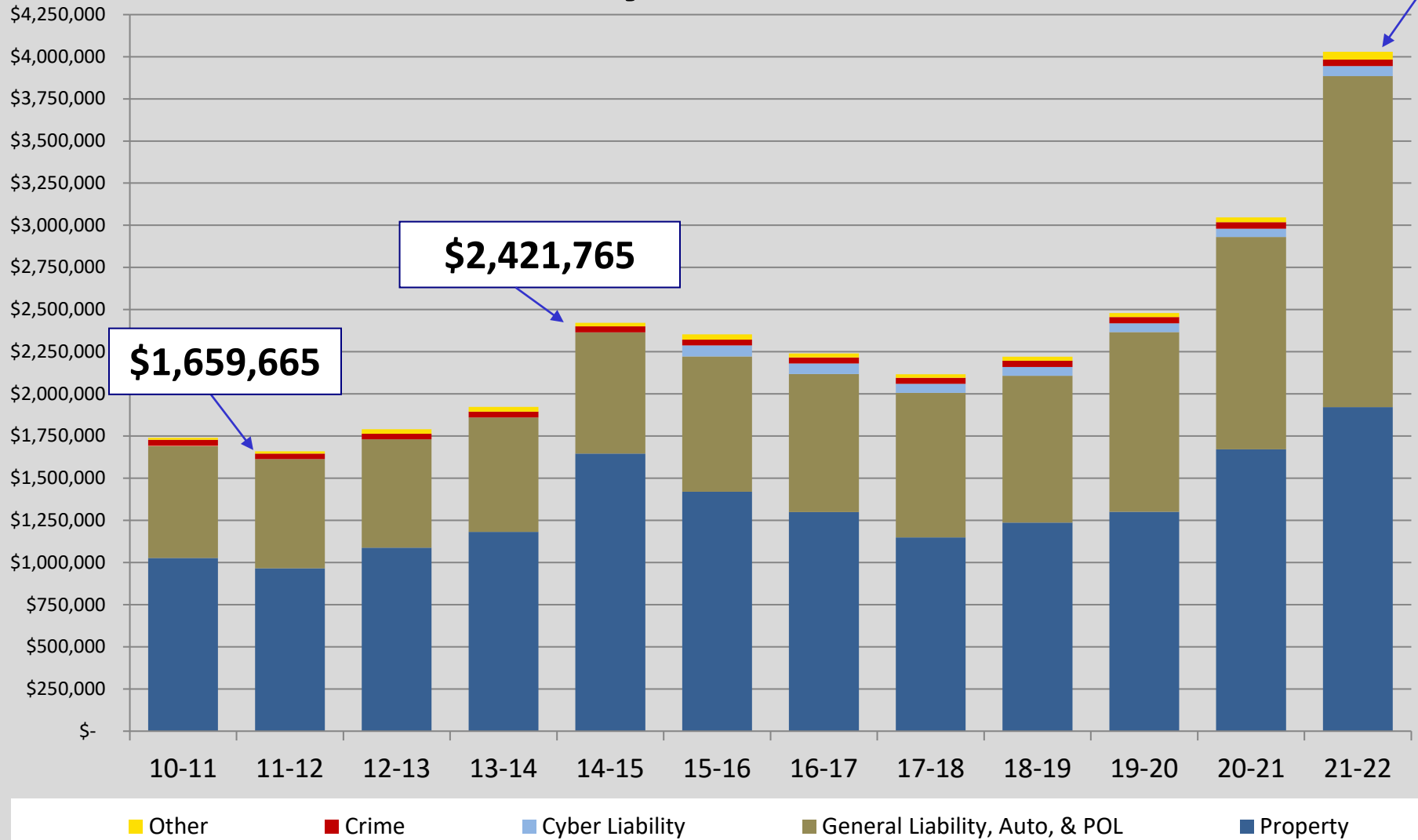
2021-2022 Premium: \$1,960,000*

Increase: 56%*

*Estimated costs, quotes still being received

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

Insurance Policy Premiums 2010-2022



Premium Summary

			Actual	Estimate*
<u>Coverage (consistent with prior year):</u>	<u>Limit</u>	<u>Deductible</u>	<u>2020-2021</u>	<u>2021-2022</u>
Property/Mechanical Breakdown (Includes \$10M Lost Revenue Cover)	\$ 350M	\$1M/ \$500k	\$ 1,671,185	\$ 1,920,000
General/Auto/Public Officials Liability**	\$150M	\$2M	1,259,318	1,960,000
Crime	\$25M	\$100k	37,700	40,000
Non-Owned Aircraft	\$10M	\$0	7,245	10,000
Fiduciary Liability	\$10M	\$25k	21,802	20,000
Other 3-year Prepaid Policies				15,000
Other Liability	\$5M	\$50k	50,000	60,000
			<u>3,047,250</u>	<u>4,025,000</u>

Estimated 32% Increase
Exceeds 2021 Budget by 8.5%

*Premiums are subject to change during negotiations

** Public Officials Liability limit is \$75M

Proposed Motion

To *authorize* expenditures by the District not to exceed \$4,275,000 plus surplus lines taxes and fees, for the purchase of District insurance for July 1, 2021-2022 policies upon terms and conditions approved by the General Manager.



Next Steps

- Expect the insurance markets to continue to be challenging for coverages and with higher premiums
- Continue to pursue and negotiate best insurance terms and conditions up to renewal date
- Complete insurance policy renewals by July 1
- Return with an update for the Board in July
- Questions?