

CHELAN COUNTY PUD INSURANCE PROGRAM

POLICY RENEWAL 2022-23



CHELAN COUNTY

**Commissioner
Board Meeting**
June 20, 2022

Why We Are Here Today

- Annual update on insurance premiums and renewal
- Insurance policies renewal date is July 1, 2022
- Premiums and terms will be negotiated up to renewal date
- Motion requesting authorization for insurance program renewal with a “not to exceed” amount of \$4.8M

Insurance Program Marketing

- Supports District Value: Stewardship
Protecting public resources entrusted to us:
Managing risks, controlling costs



Insurance Program Considerations

- Liability insurance participation stabilizing
 - Escalating jury awards pressuring premiums
 - Wildfire surcharges continuing with AEGIS
 - Property insurance rates/\$M increasing 0 – 5%
 - Inflation driving up property premiums
 - Cyber insurance rates up 25 – 50%
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- Excellent performance by insurance broker specializing in power utilities: McGriff Insurance Services
 - Successful 2021 renewal with limited timeframe
 - 2-year extension on contract, no fee increase

Insurance Program Considerations

- Inflation and RR property valuation impacting property premiums
 - Rocky Reach value: \$2.3B in 2021 | \$3.0B in 2022
 - District value: \$4.6B in 2021 | \$5.7B in 2022
- Wildfire risk driving liability increases
- Insurance climate models show potential for increasing fire activity over time
- Wildfire mitigation work critical for insurers
- Maintaining current limits despite challenging market

Insurance Underwriter Meetings

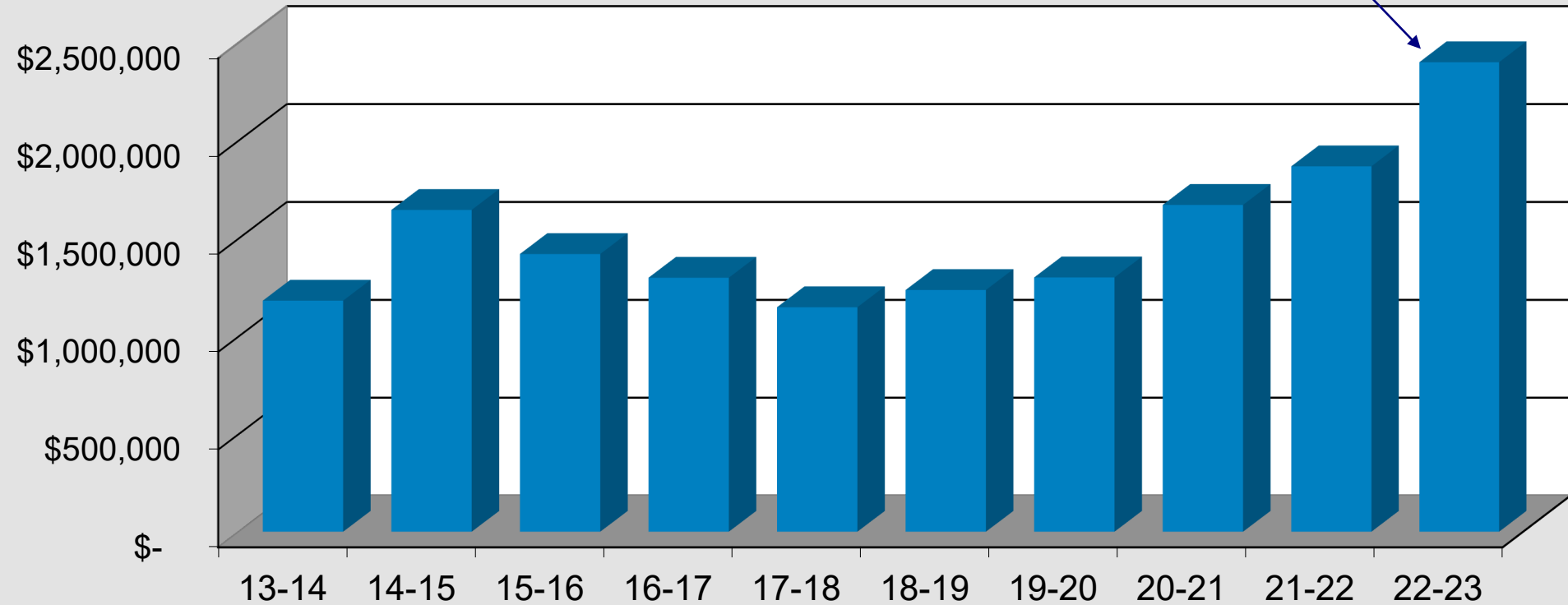
Highlight District characteristics that demonstrate the quality of PUD operations and management

Managing Utility Liability Risk: Wildfire risk mitigation strategies including vegetation management standards, fire safety outage management program and changing settings on distribution equipment for fire safety

Managing Property Risk: Investments in modernizing generation including support facilities; development of data analytic capabilities/HRI; GE extended warranty; asset management program and updated Rocky Reach valuation

PROPERTY (Premiums 2013 - 2023)

\$2.4M*



2021-2022 Premium: \$ 1,868,292

Limit: \$350 million

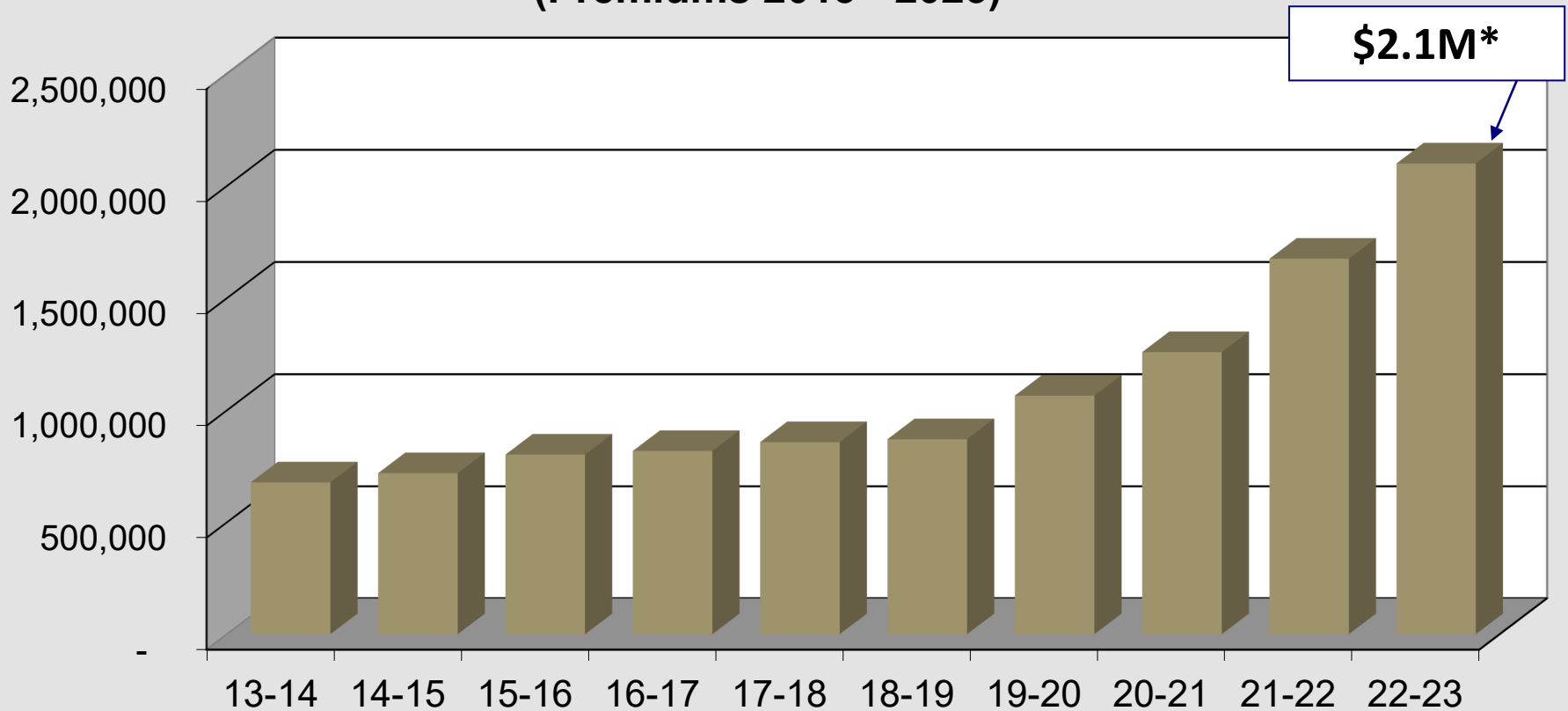
2022-2023 Premium: \$ 2.4M*

Increase: 28.5%

*Estimated cost, quotes still being received



GENERAL LIABILITY, AUTO, & POL (Premiums 2013 - 2023)



2021-2022 Premium: \$1,675,429

Limit: \$150 million

2022-2023 Premium: \$2.1M*

Increase: 25.3%*

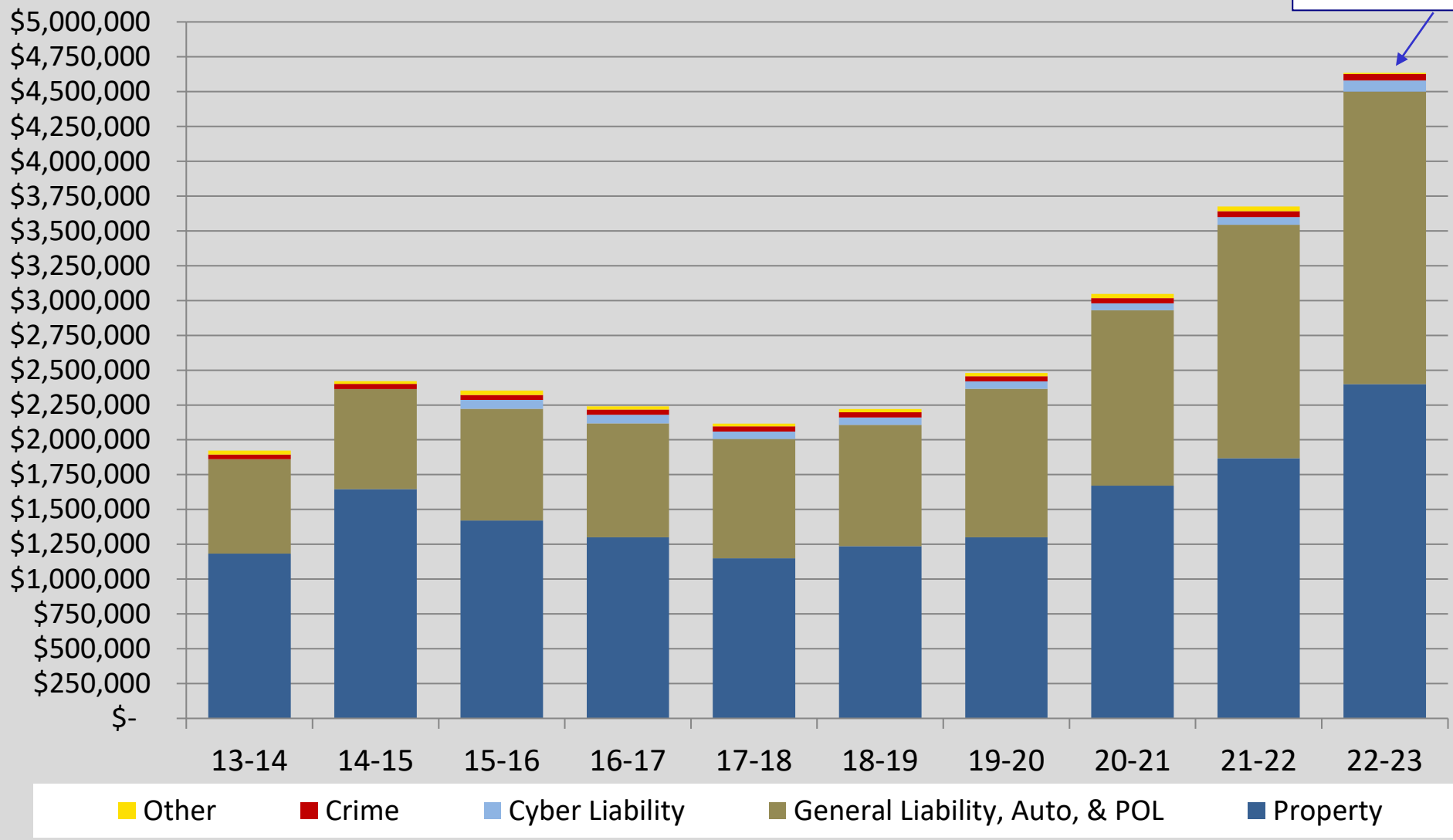
*Estimated costs, quotes still being received

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



Insurance Policy Premiums 2013-2023

\$4.7M*



*Estimated costs, quotes still being received



Premium Summary

	<u>Limit</u>	<u>Deductible</u>	<u>Actual</u> <u>2021-2022</u>	<u>Estimate*</u> <u>2022-2023</u>
<u>Coverage (consistent with prior year):</u>				
Property/Mechanical Breakdown (Includes \$10M Lost Revenue Cover)	\$ 350M	\$1M/ \$500k	\$ 1,868,292	\$ 2,400,000*
General/Auto/Public Officials Liability**	\$150M	\$2M	1,675,429	2,100,000*
Crime	\$25M	\$100k	43,450	46,000*
Non-Owned Aircraft	\$10M	\$0	8,332	10,000
Fiduciary Liability	\$10M	\$25k	25,650	28,000*
Other Liability	\$5M	\$50k	54,754	80,000*
			<u>3,675,907</u>	<u>4,664,000*</u>

Estimated 27% Increase
Within 0.5% of Budget

*Premiums are subject to change during negotiations

** Public Officials Liability limit is \$100M

Original Motion (6-16-2022)

To *authorize* expenditures by the District not to exceed ~~\$4,800,000~~ plus surplus lines taxes and fees, for the purchase of District insurance for July 1, 2022-2023 policies upon terms and conditions approved by the General Manager.

Revised Motion (6-20-2022)

To *authorize* expenditures by the District not to exceed \$5,000,000 plus surplus lines taxes and fees, for the purchase of District insurance for July 1, 2022-2023 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
- Return with an update for the Board in July
- Questions?