

CHELAN COUNTY PUD INSURANCE PROGRAM

POLICY RENEWAL 2023-24



CHELAN COUNTY

**Commissioner
Board Meeting**
June 26, 2023

Why We Are Here Today

- Annual update on insurance premiums and renewal
- Insurance policies renewal date is July 1, 2023
- Premiums and terms will be negotiated up to renewal date
- Motion requesting authorization for insurance program renewal with a “not to exceed” amount of \$5,500,000

Insurance Program Marketing

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



Insurance Program Considerations

- Inflation impacting property premiums
 - Appraisals: RR in 2022; RI in 2023
 - District property value: \$4.6B in 2021 | \$6.1B in 2023
 - Property values increased 7.5% in 2023
- Insurance rating for Generation maintenance:
 - Excellent due in part to Asset Management Program
- Wildfire risk continues to drive liability increases
 - Annual surcharge: AEGIS \$350,000; EIM \$180,000
 - Other carriers do not report
 - Premium increases limited due to wildfire mitigation work
 - Liability markets showing signs of stabilization



Insurance Underwriter Meetings

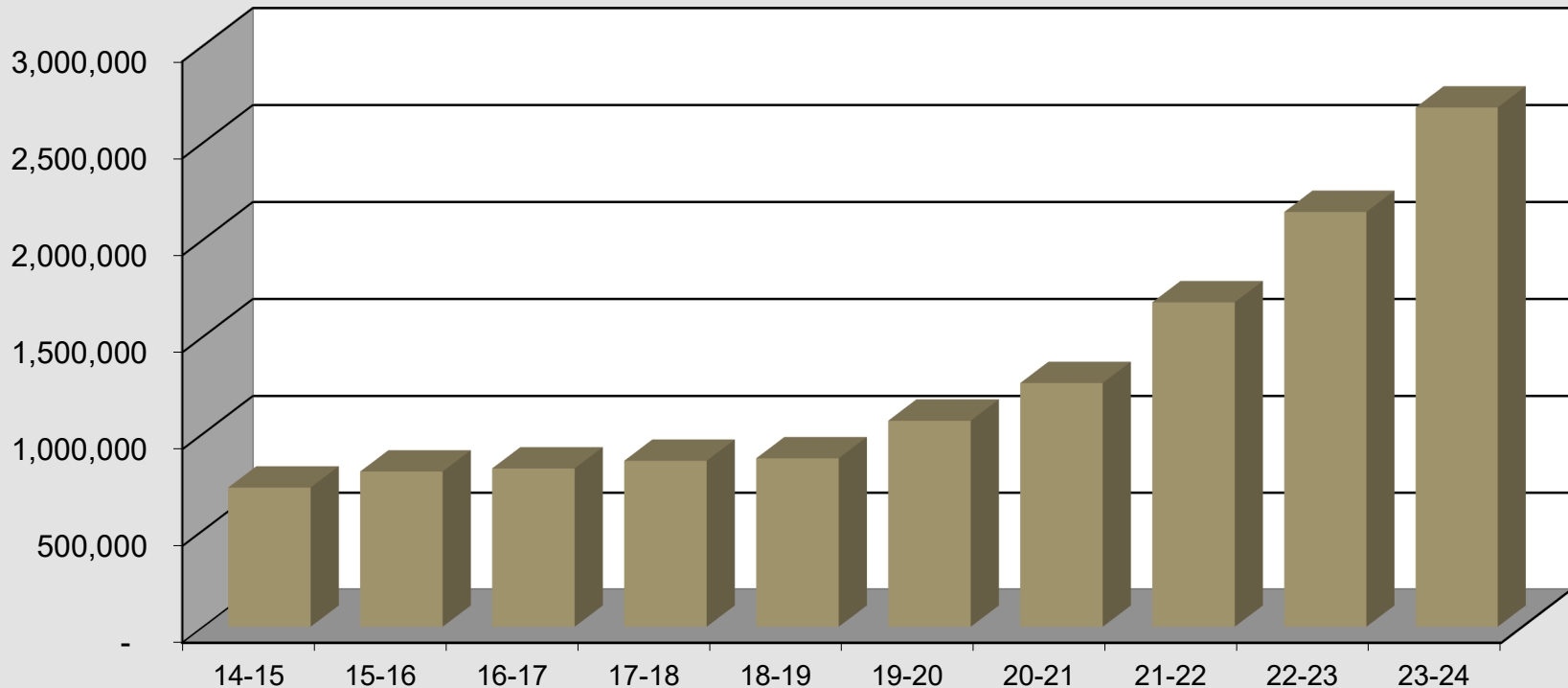
Highlight District characteristics that demonstrate the quality of PUD operations and management

2023: Presentations delivered individually to 20 insurance underwriters

Managing Utility Liability Risk: Wildfire risk mitigation strategies including vegetation management standards, fire safety outage management program, recloser settings and no loss history

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

GENERAL LIABILITY, AUTO, & POL (Premiums 2014 - 2024)



2022-2023 Premium: \$2,141,499

Limit: \$150 million

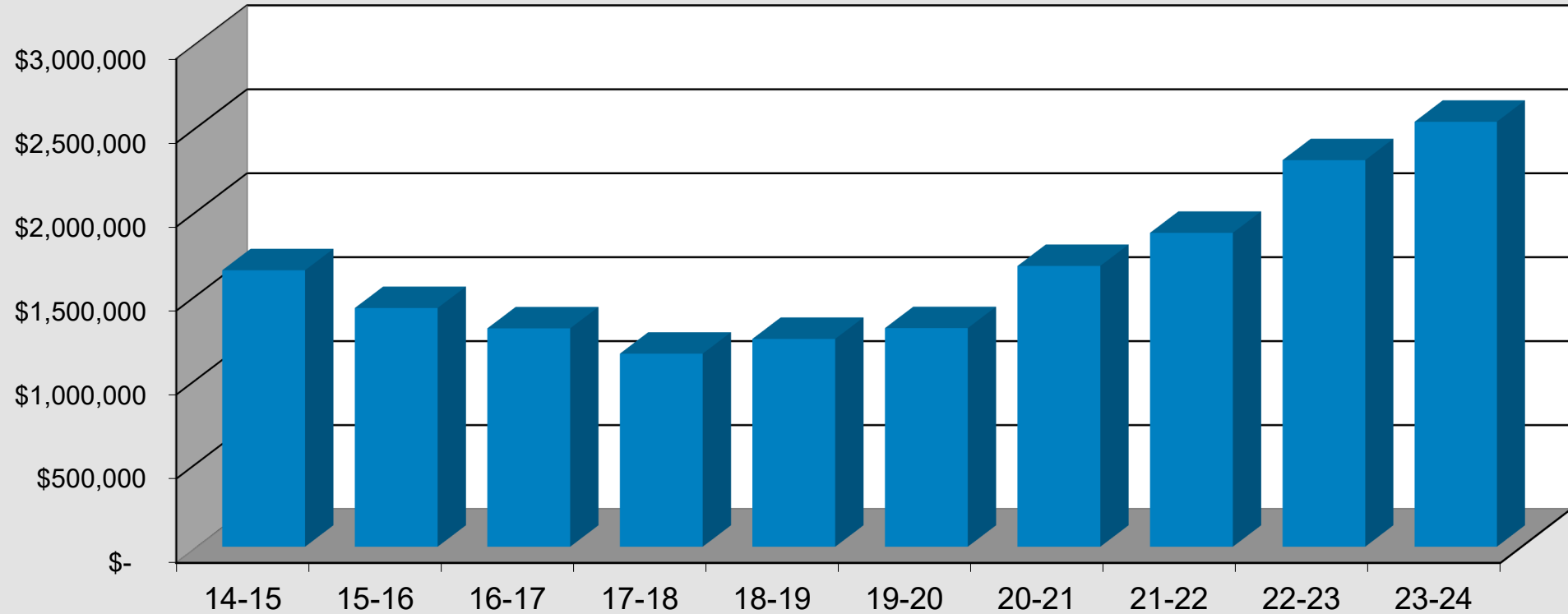
2023-2024 Premium: \$2,680,000*

Increase: 25.1%*

*Estimated costs, quotes still being received

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

PROPERTY (Premiums 2014 - 2024)



2022-2023 Premium: \$ 2,301,330

Limit: \$350 million

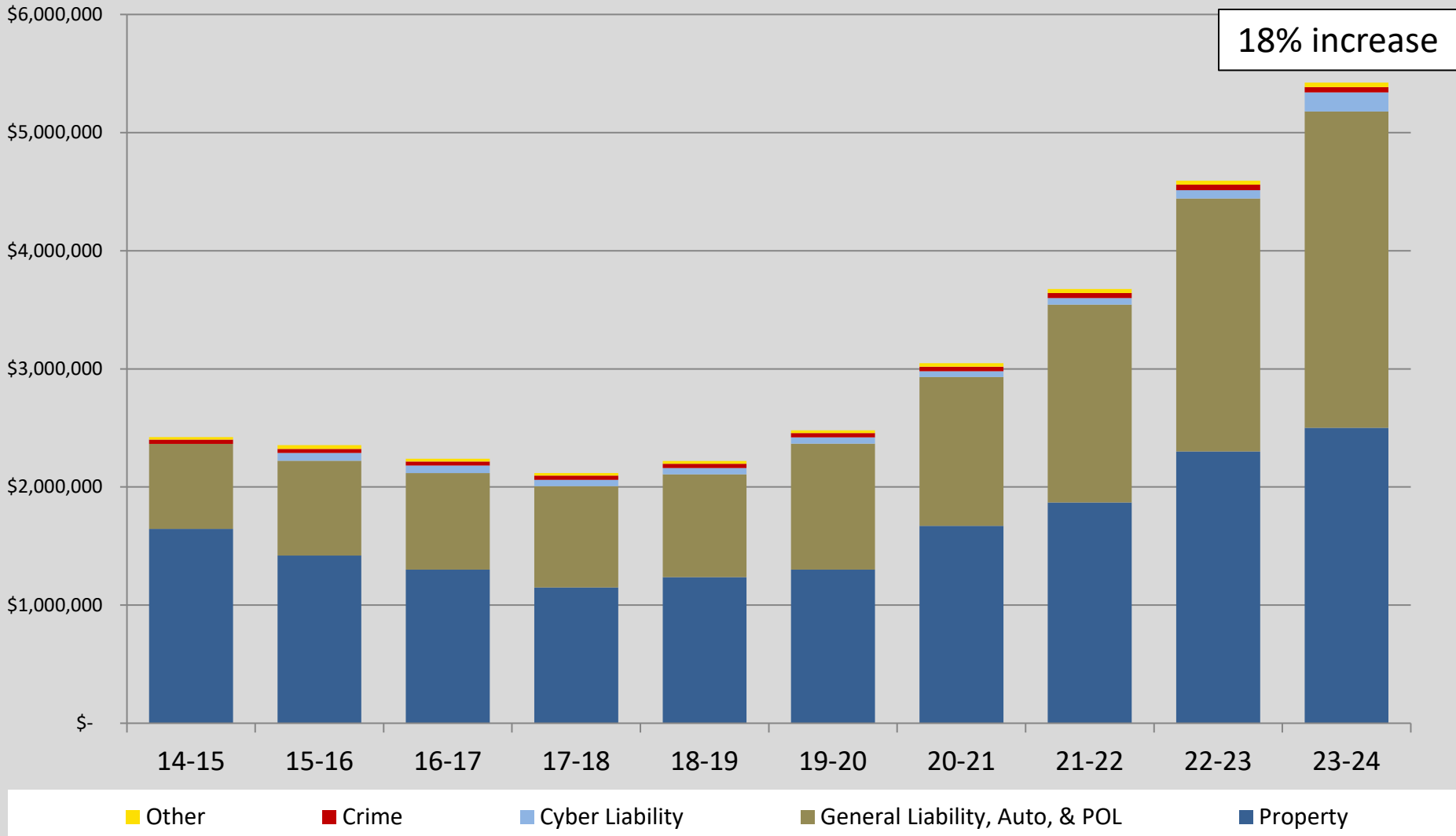
2023-2024 Premium: \$ 2,500,000*

Increase: 8.6%

*Estimated cost, quotes still being received



Insurance Policy Premiums 2014-2024



*Estimated costs, quotes still being received



Premium Summary

			Actual	Estimate*
<u>Coverage (consistent with prior year):</u>	<u>Limit</u>	<u>Deductible</u>	<u>2022-2023</u>	<u>2023-2024</u>
Property/Mechanical Breakdown (Includes \$10M Lost Revenue Cover)	\$ 350M	\$1M/ \$500k	\$ 2,301,330	\$ 2,500,000
General/Auto/Public Officials Liability**	\$150M	\$2M	2,141,499	2,680,000
Crime	\$25M	\$100k	45,625	46,000
Non-Owned Aircraft	\$10M	\$0	9,165	10,000
Fiduciary Liability	\$10M	\$25k	25,650	26,000
Other Liability***	\$10M	\$50k	71,630	160,000
			<u>4,594,899</u>	<u>5,422,000</u>

Estimated 18% Increase
3.4% Under 2023 Budget

* Premiums are subject to change during negotiations

** For information purposes, option for \$75M Public Officials Liability limit received at \$90,000 less premium than \$100M limit.

*** Insurance limit in "Other Liability" category raised from \$5M to \$10M

Proposed Motion

To *authorize* expenditures by the District not to exceed \$5,500,000 plus surplus lines taxes and fees, for the purchase of District insurance for July 1, 2023-2024 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
- If any updates, return to advise the Board in July
- Questions?