CHELAN COUNTY PUD INSURANCE PROGRAM

2025-26 POLICY RENEWAL

P.U.D.
CHELAN COUNTY

Commissioner Board Meeting
June 16, 2025

Why We Are Here Today

- Annual update on insurance premiums and renewal
- Insurance policies renewal date is July 1, 2025
- Premiums and terms will be negotiated up to renewal date
- Motion requesting authorization for insurance program renewal with a “not to exceed” amount of $8,050,000

Insurance Program Considerations

- Property insurance market has stabilized
  - Full quotes have now been received
  - Premium increase, 2.2%, is less than inflation, 5.1%
  - The premium rate applied to property values has slightly decreased

- Continued utility wildfire liability insurance challenges
  - Higher premiums attracting new insurance capacity
  - Premium increase expected to be ~11% for 2025-26
  - LA fires less impactful since CA insurance is largely isolated from utility insurance markets

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Captive Insurance Update

HB 1842:

- Bill title: “Allowing public utility districts to form, own, or use captive insurers.”
- Rep. Mike Steele sponsored the bill
- Passed unanimously and will become law in July 2025

Captive Insurance Refresher

- A captive insurance company is an insurance company that insures its owner
- Provides an alternative to traditional insurance to maintain wildfire insurance coverage
- Captive insurance could be used to fill gaps in commercially available insurance
- May help shield premium pricing from excess liability insurance carriers

Chelan PUD Path Forward

- Given the timing when HB 1842 becomes law, captive insurance unavailable for 2025 renewal
  - Staff will be developing a captive insurance strategy this fall on how to best leverage this product to protect the District and its customer owners

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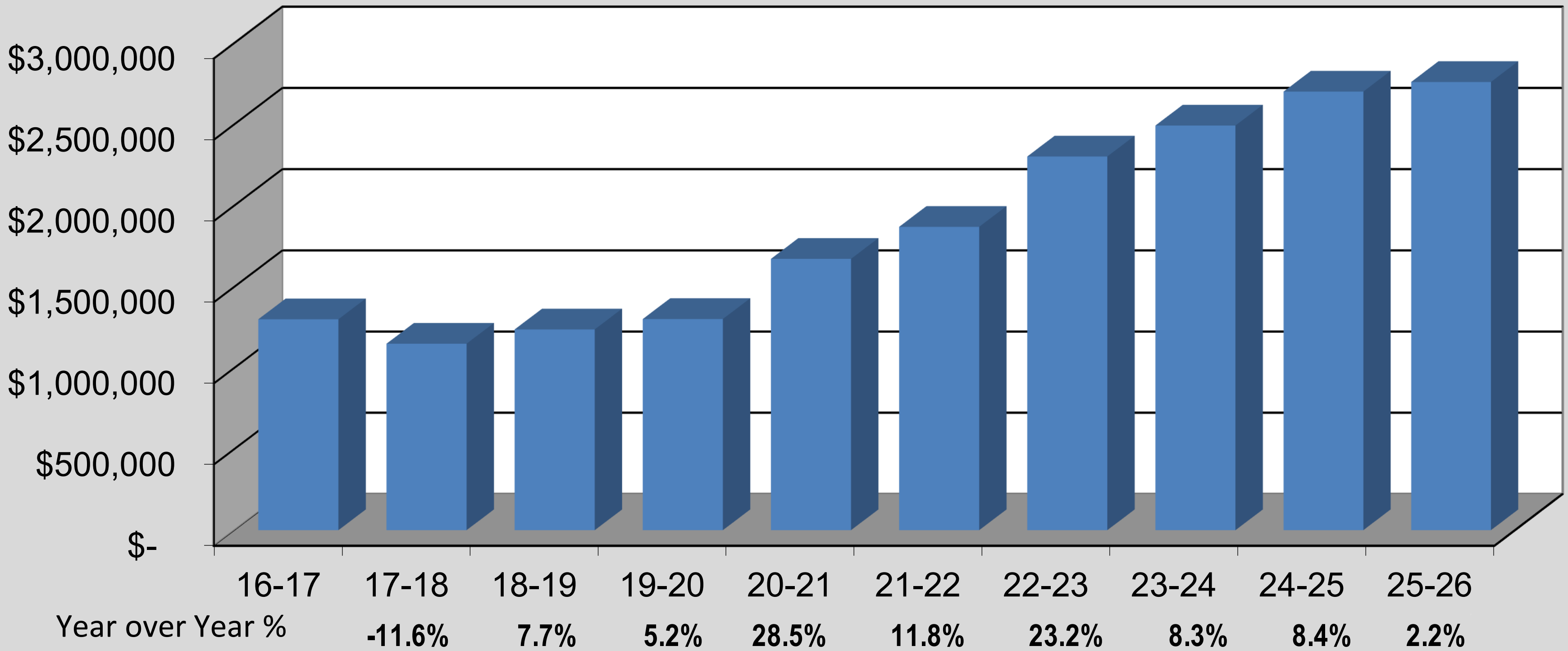
PROPERTY
(Premiums 2016 - 2026)

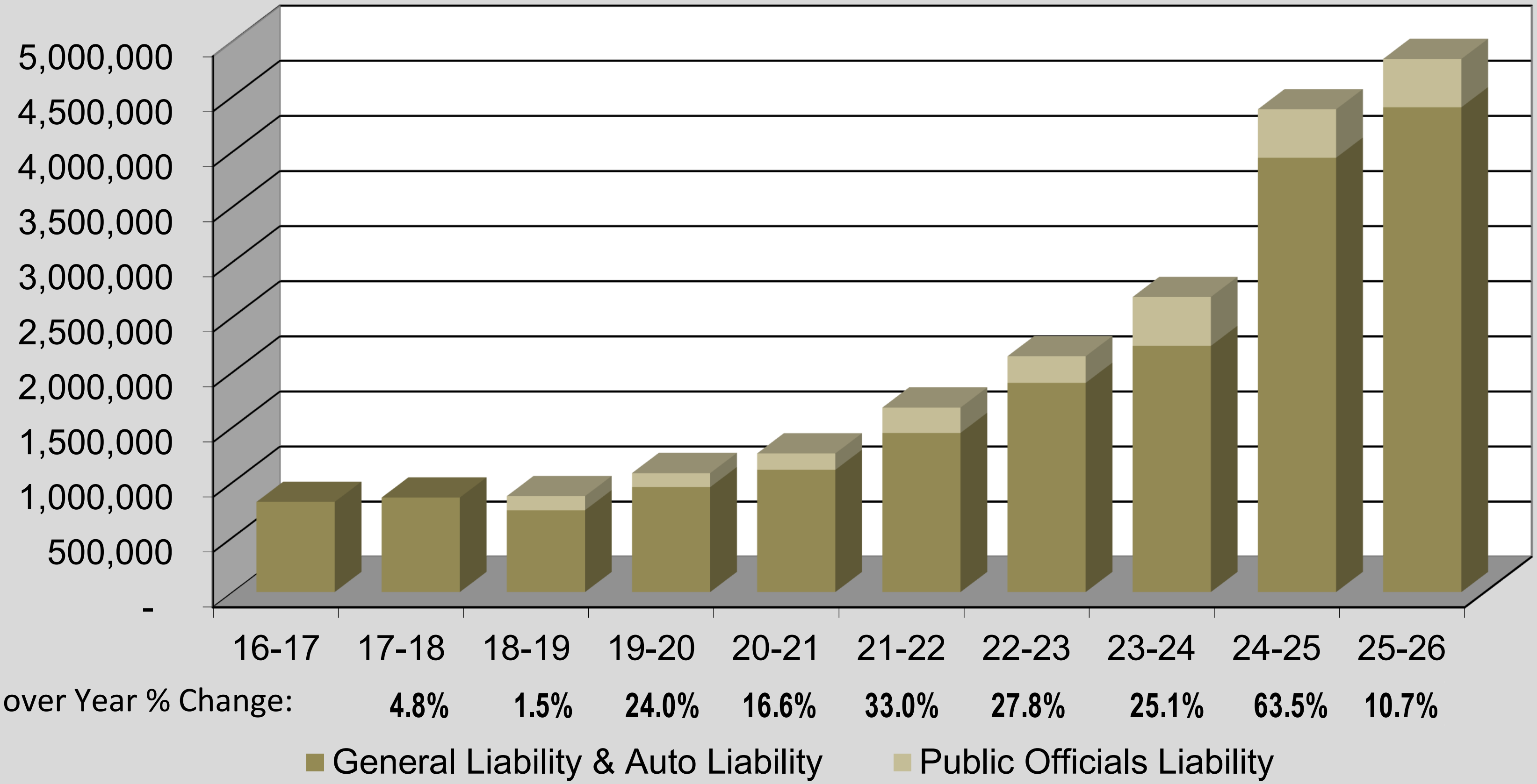


2024-2025 Premium: $ 2,680,546 **Limit: $350 million**

2025-2026 Premium: $ 2,760,000* **Increase: 2.2%***

*Estimated cost, quotes still being received

GENERAL, AUTO, & PUBLIC OFFICIALS LIABILITY
(Premiums 2016 - 2026)



Year over Year % Change: 4.8% 1.5% 24.0% 16.6% 33.0% 27.8% 25.1% 63.5% 10.7%

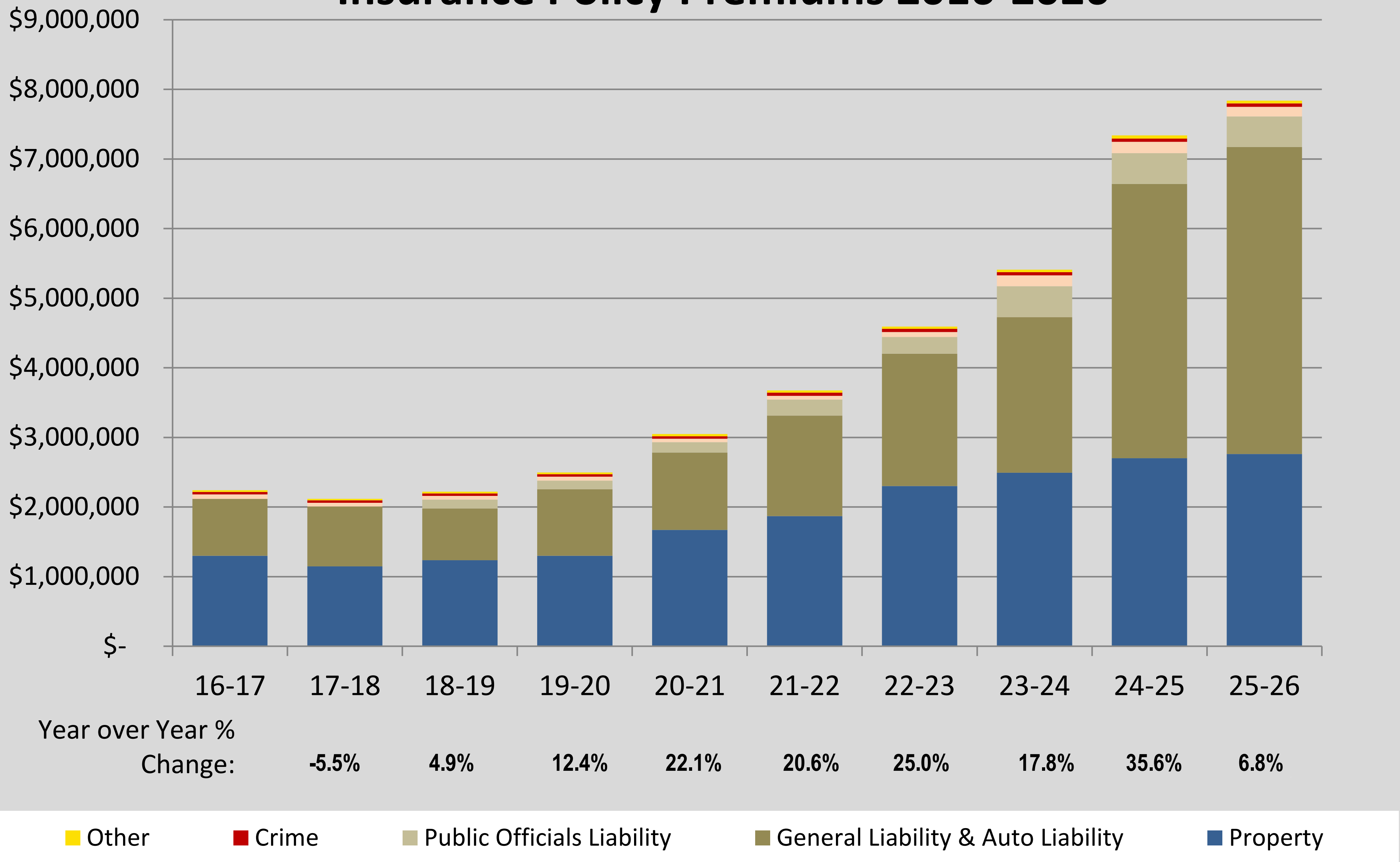
2024-2025 Premium: $4,381,443 **Limit: $185M/$150M Wildfire**
$100M POL Limit

2025-2026 Premium: $4,850,000* **Increase: 10.7%***

*Estimated costs, quotes still being received

Negotiation Strategy: General liability limits raised to $185M in 2024

Insurance Policy Premiums 2016-2026



*Estimated costs, quotes still being received

Premium Summary

Coverage:	Limit	Deductible	Actual 2024-2025	Estimate* 2025-2026
Property/Mechanical Breakdown (Includes $10M Lost Revenue Cover)	$ 350M	$1M	$ 2,680,546	$ 2,760,000
General/Auto/Public Officials Liability	$185M**	$2M	4,381,443	4,850,000
Crime	$25M	$100k	45,625	50,000
Non-Owned Aircraft	$10M	$0	10,085	10,085
Fiduciary Liability	$10M	$25k	26,190	30,000
Other Liability	$10M	$1M	150,850	138,612
			7,294,739	7,838,697

Estimated 6.8% Renewal Increase
6.2% under 2025 Budget

* Premiums are subject to change during negotiations

** Due to strategy to achieve lowest premiums, General Liability limit is $185M/Wildfire is $150M

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Insurance Underwriter Meetings

Purpose: Secure lowest premiums and best terms available

Strategy: Deliver comprehensive overview of Chelan's prudent risk mitigation strategies and management of operations

<u>Highlights</u>

- Presentations delivered to 35 insurance underwriters
- Positive feedback from underwriters who visited in July 2024
  - Generation Asset Management Program reviewed following Rocky Reach tour
- One liability underwriter said Chelan is highest rated client for wildfire mitigation

<u>Insurance Brokers</u>

- Chelan's domestic broker, Rob Logan (McGriff) and London broker Tom Mercer (Howden), recognized as top service providers for utilities
- Brokers for PG&E, AEP, Oncor and other large utilities

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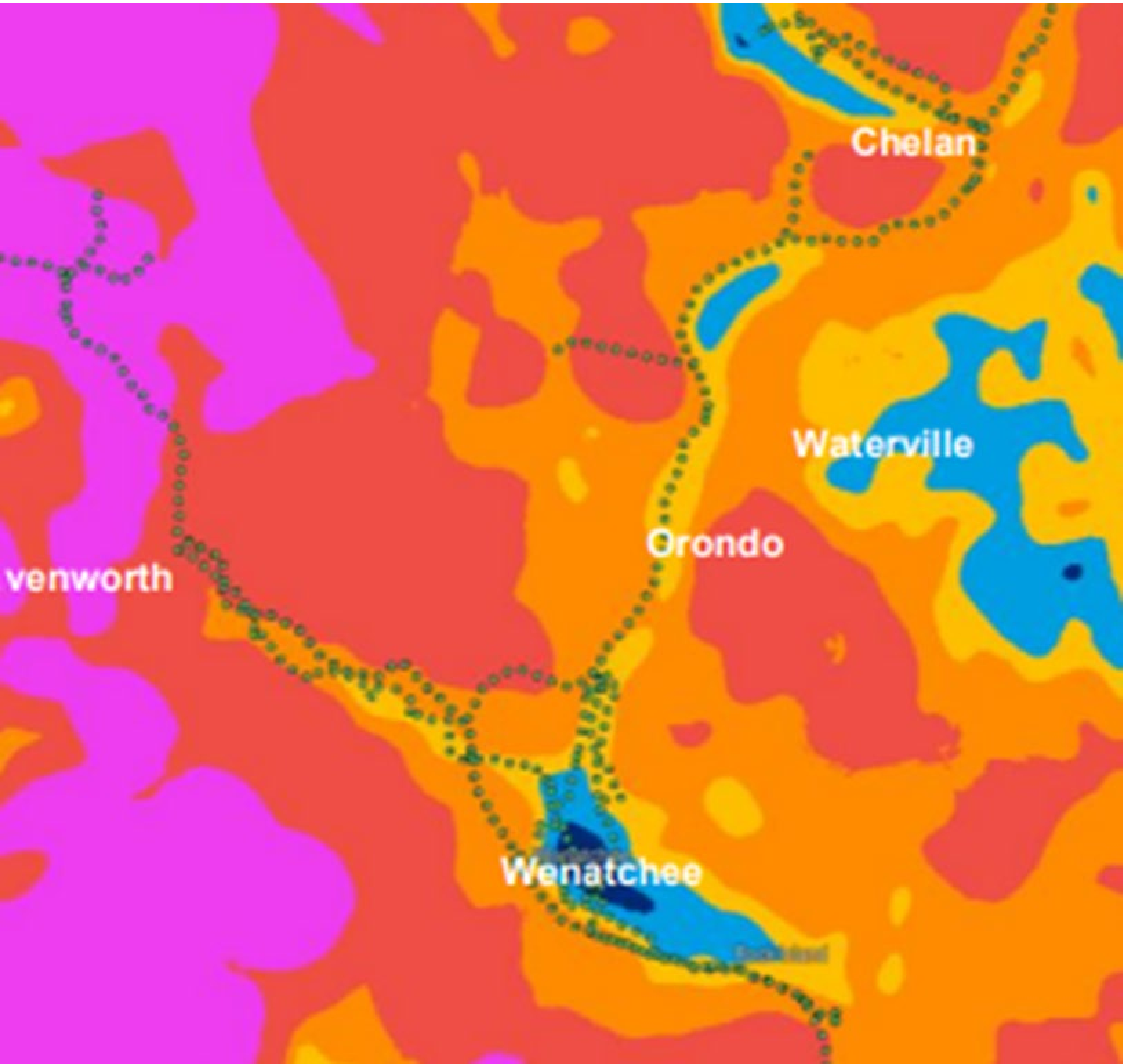
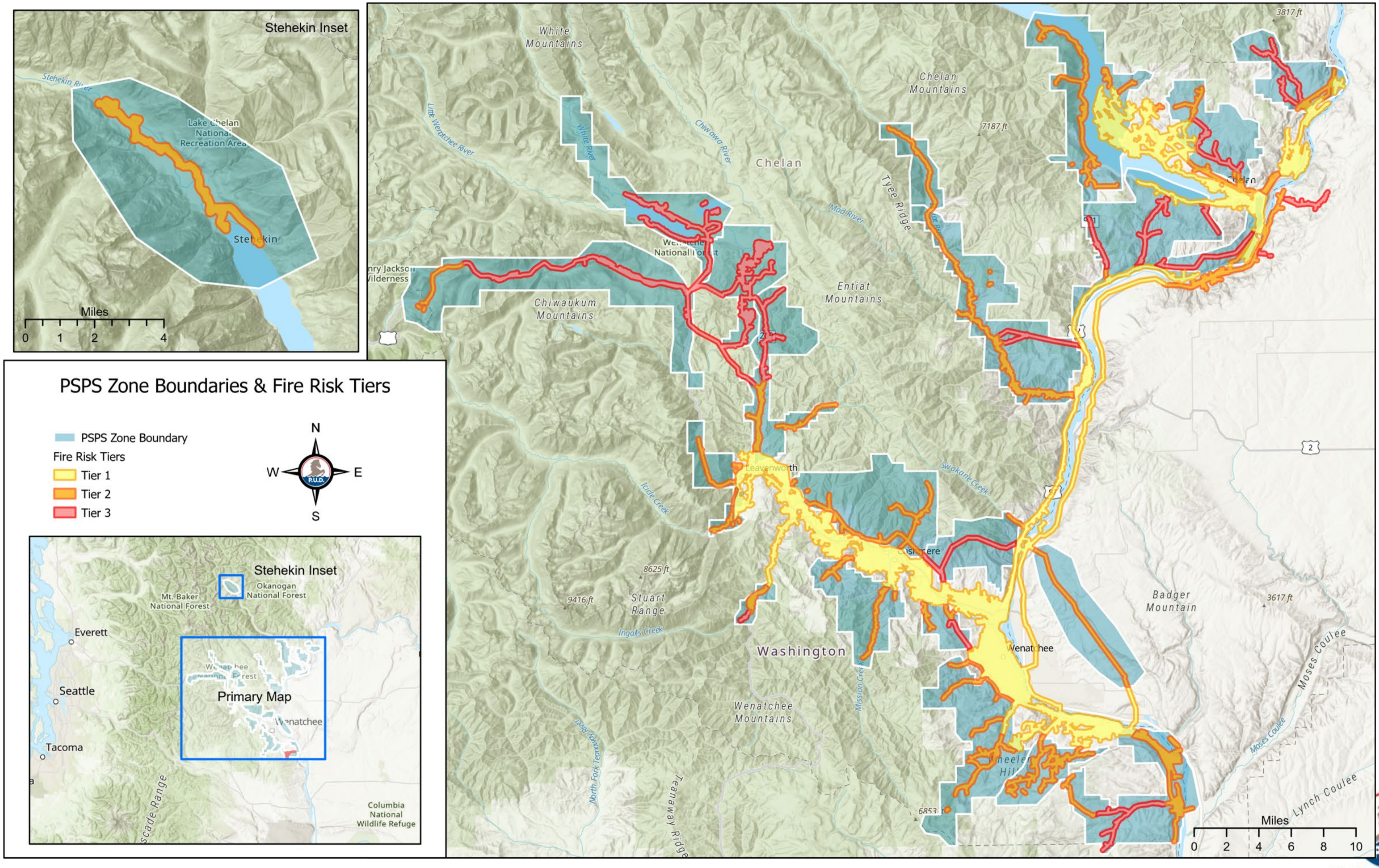
AEGIS Insurance Risk Modeling



- Models from multiple sources show Chelan County at very high risk for wildfire
- Models include natural ignition sources, not applicable to utilities
- Includes fire-spread from undeveloped locations to developed areas

Chelan PUD Risk Modeling

- Targeted: Focuses on power line risk, not natural causes
- Updated risk modeling will factor in PSPS impacts and underground lines



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
- Continue to evaluate captive insurance as a potential tool to address future uncertainty in wildfire liability insurance markets
- Questions?

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Proposed Motion

To *authorize* expenditures by the District not to exceed $8,050,000 plus surplus lines taxes and fees, for the purchase of District insurance for July 1, 2025-2026 policies upon terms and conditions approved by the General Manager.