Introduction

• Annual update on insurance premiums and renewal

• Presentation for information purposes only. No action required today

• Insurance policies renewal date is July 1, 2018

• Premiums and terms will be negotiated up to renewal date

• Motion requesting authorization for insurance program renewal with a “not to exceed” amount will be presented to Board for consideration on June 25
Insurance Program Update

• Worldwide insurance market is changing due to extreme year of natural disasters
• The District is favorably viewed by insurance carriers due in large part to forward-thinking asset management strategies
• Premium quotes are consistent with the 2018 insurance budget
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
    – Generation: Predictive maintenance vs. running to failure
    – Asset Management: allocating resources based on criticality
  – Great working relationship between District generation managers and insurance fire engineer
  – Response to Insurance concerns; B9 damage claim
Factors Influencing Renewal:
- PUD financial strength and investment in generation
- Shifting property insurance market
  - Large magnitude losses reduce insurance reserves
  - World insurance market responds by raising premiums
  - Hurricane Harvey, 2nd costliest in history $125B
    Plus Hurricanes Maria $90B and Irma $50B
  - Munich Re: Global insurance claims $135B; highest year on record
    - Utility industry losses; $14B California wildfires

Negotiations:
- Balance long-term relationships with new markets
- Leverage competition in marketplace
2017-2018 Premium: $1,149,000  
Limit: $350 million

2018-2019 Premium: $1,244,324*  
Increase: 8.3%

*Estimated cost, quotes still being received
General Liability, Auto, & Public Officials Liability
(Premiums 2006 - 2019)

2017-2018 Premium: $858,000
Limit: $125 million
(POL $75 million)

2018-2019 Premium: $895,000*
Increase: 4.3%
*Estimated costs, quotes still being received
### Premium Summary

<table>
<thead>
<tr>
<th>Coverage (consistent with prior year):</th>
<th>Limit</th>
<th>Deductible</th>
<th>2017-2018</th>
<th>2018-2019*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property/Mechanical Breakdown</td>
<td>$350M</td>
<td>$1M/ $500k</td>
<td>$1,149,000</td>
<td>$1,244,324</td>
</tr>
<tr>
<td>(Includes $10M Lost Revenue Cover)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General/Auto/Public Officials Liability</td>
<td>$125M</td>
<td>$2M</td>
<td>858,184</td>
<td>895,000</td>
</tr>
<tr>
<td>Crime</td>
<td>$25M</td>
<td>$100k</td>
<td>35,600</td>
<td>38,000</td>
</tr>
<tr>
<td>Non-Owned Aircraft</td>
<td>$10M</td>
<td>$0</td>
<td>5,600</td>
<td>6,000</td>
</tr>
<tr>
<td>Executive Protection (3 year pre-paid)</td>
<td>$10M</td>
<td>$0</td>
<td>-</td>
<td>8,564</td>
</tr>
<tr>
<td>Fiduciary Liability</td>
<td>$10M</td>
<td>$25k</td>
<td>14,874</td>
<td>15,000</td>
</tr>
<tr>
<td>Cyber Liability</td>
<td>$5M</td>
<td>$50k</td>
<td>52,649</td>
<td>52,649</td>
</tr>
</tbody>
</table>

**Total:**

<table>
<thead>
<tr>
<th>2017-2018</th>
<th>2018-2019*</th>
</tr>
</thead>
<tbody>
<tr>
<td>2,115,907</td>
<td>2,259,537</td>
</tr>
</tbody>
</table>

*(negotiating)*

*Premiums are subject to change during negotiations

Consistent with 2018 Budget

Estimated 6.8% Increase
Draft Motion for June 25

Recommendation: Complete the annual negotiation process with a “not to exceed” amount of $2,275,000* for premium renewals with Commission approval by motion.

Draft Motion: To authorize expenditures by the District not to exceed $2,275,000* plus surplus lines taxes and fees, for the purchase of District insurance for July 1, 2018-2019 policies upon terms and conditions approved by the General Manager.

*Preliminary estimate only - to be finalized prior to June 25 Board meeting
Next Steps

• Continue to pursue and negotiate best insurance terms and conditions up to renewal date

• Return in three weeks to request motion for Board to approve 2018-2019 insurance program renewal for an “up to” amount.

• Complete insurance policy renewals by July 1

• Questions?