

CHELAN COUNTY PUD INSURANCE PROGRAM

POLICY RENEWAL 2018-2019



CHELAN COUNTY

**Commissioner
Board Meeting**
June 4, 2018

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

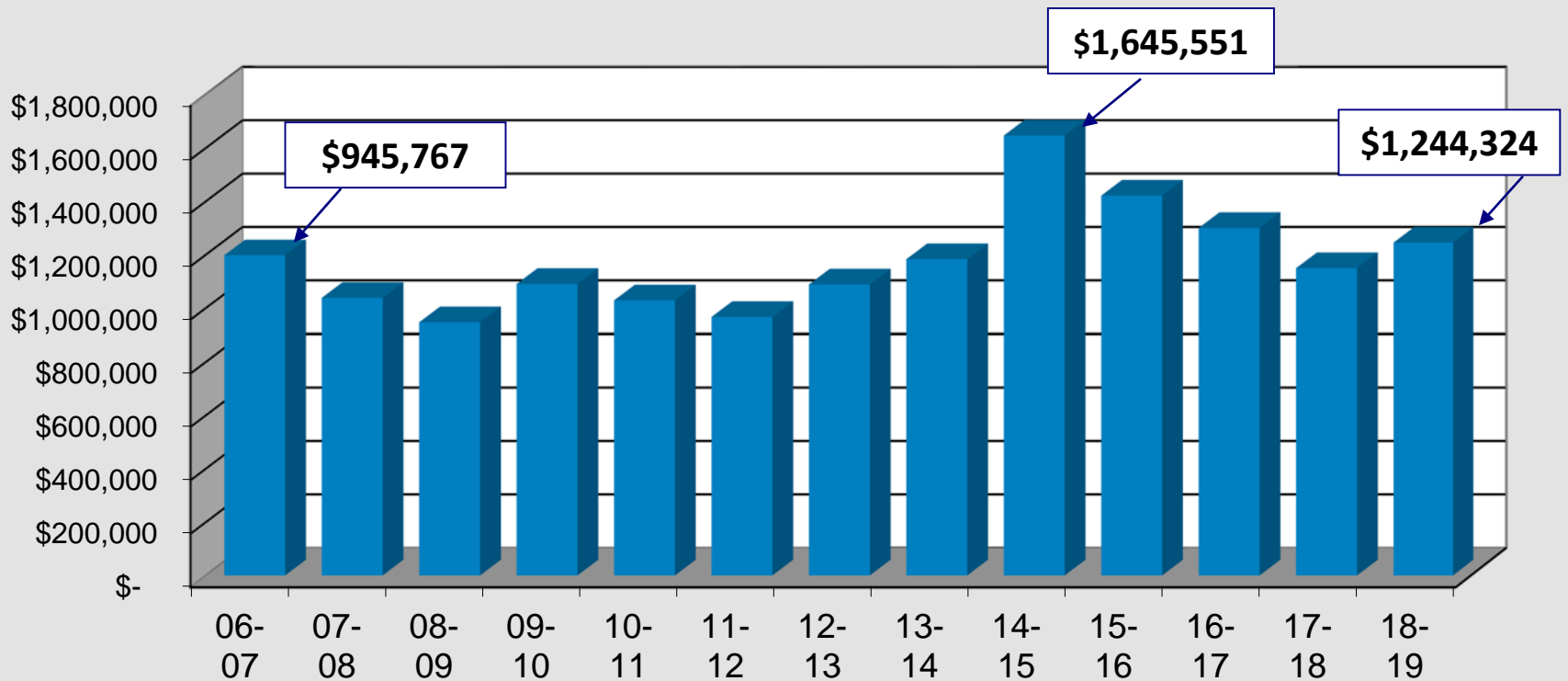
Insurance Program Marketing

- 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

Insurance Program Marketing

- 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

PROPERTY (Premiums 2006 - 2019)



2017-2018 Premium: \$ 1,149,000

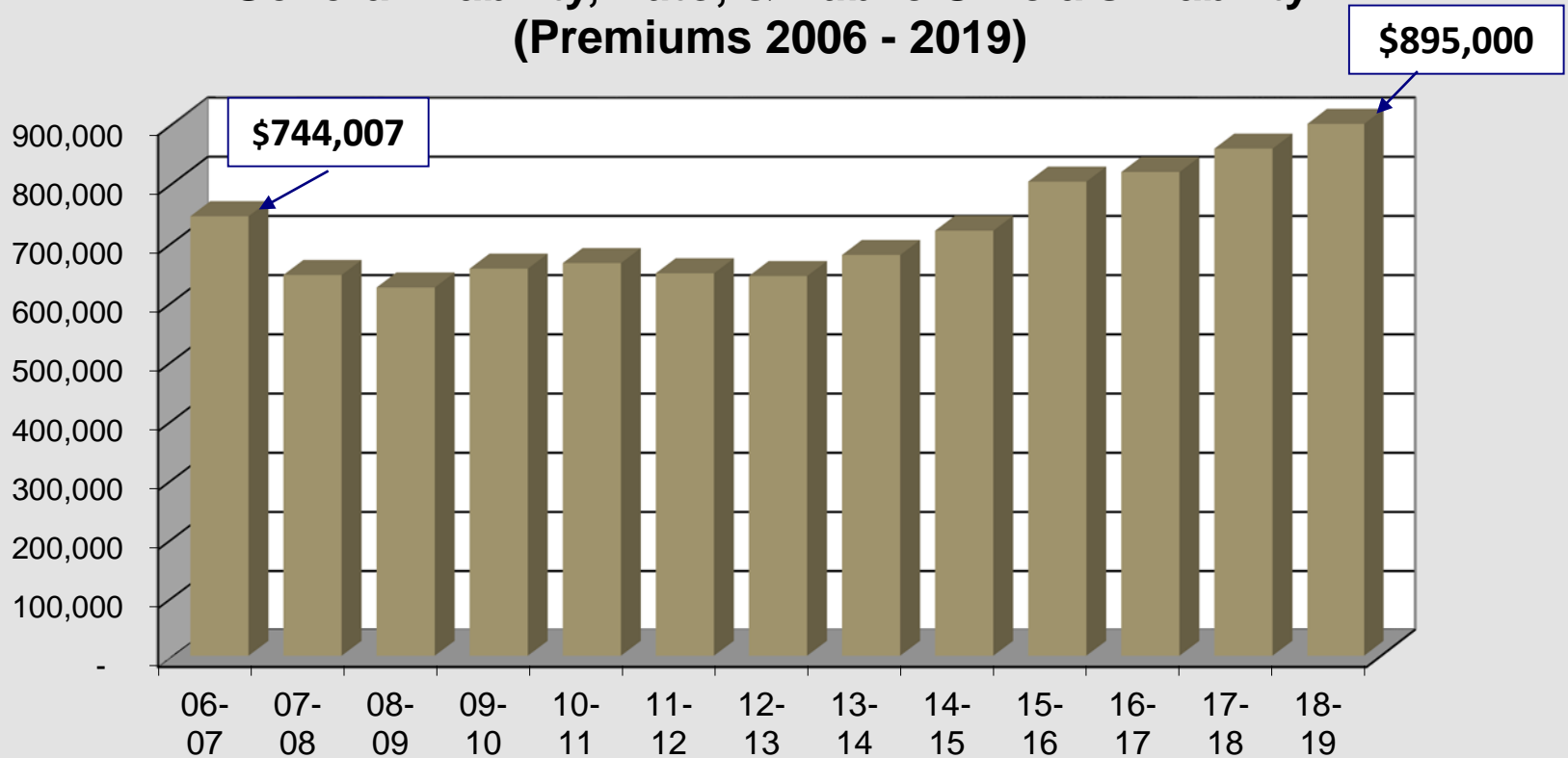
Limit: \$350 million

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

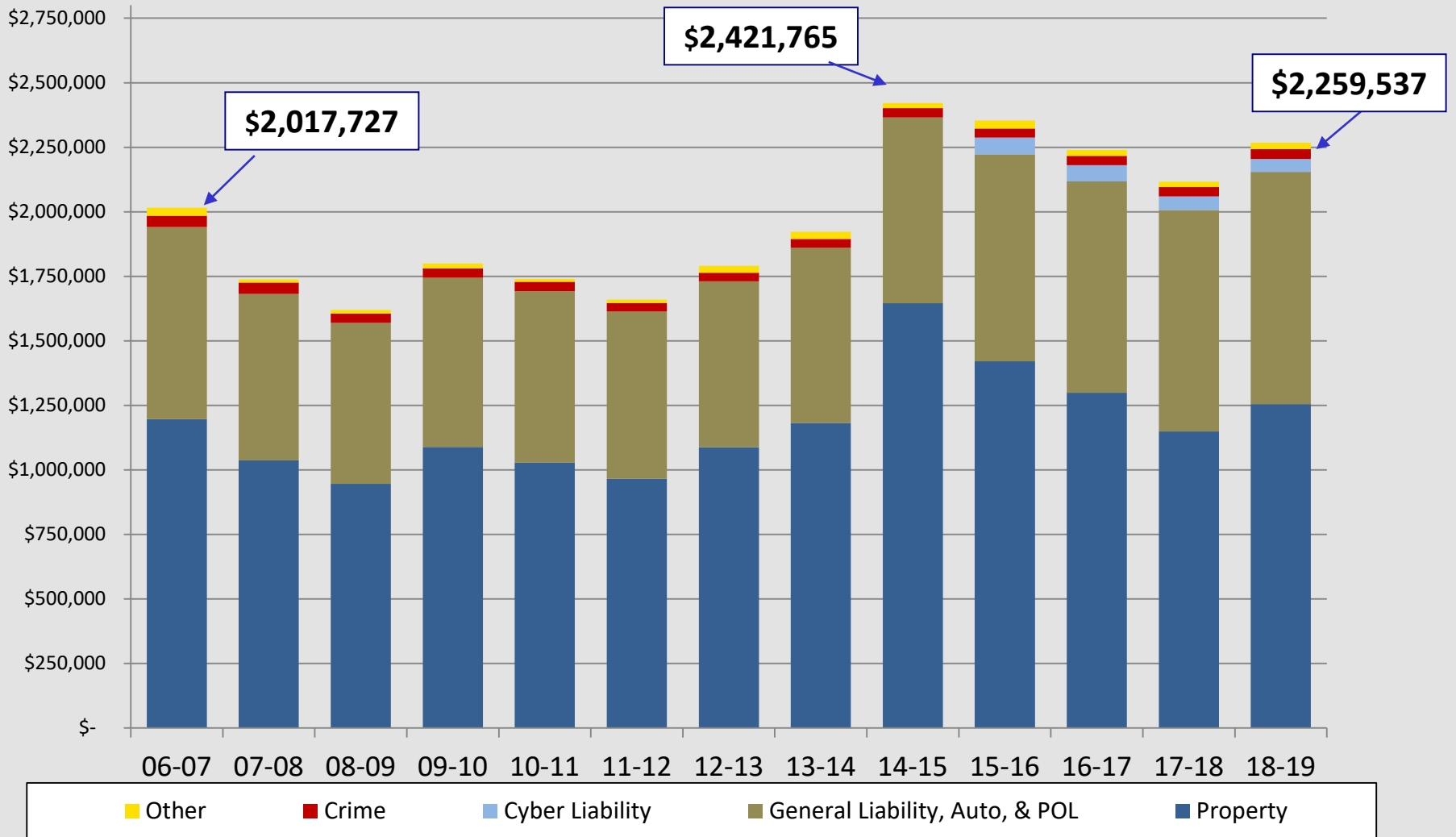
Limit: \$125 million
(POL \$75 million)

2018-2019 Premium: \$895,000*

Increase: 4.3%

*Estimated costs, quotes still being received

Insurance Policy Premiums 2006-2019



Premium Summary

<u>Coverage (consistent with prior year):</u>	<u>Limit</u>	<u>Deductible</u>	<u>2017-2018</u>	<u>2018-2019*</u>
Property/Mechanical Breakdown (Includes \$10M Lost Revenue Cover)	\$ 350M	\$1M/ \$500k	\$ 1,149,000	\$ 1,244,324
General/Auto/Public Officials Liability	\$125M	\$2M	858,184	895,000
Crime	\$25M	\$100k	35,600	38,000
Non-Owned Aircraft	\$10M	\$0	5,600	6,000
Executive Protection (3 year pre-paid)	\$10M	\$0	-	8,564
Fiduciary Liability	\$10M	\$25k	14,874	15,000
Cyber Liability	\$5M	\$50k	52,649	52,649
			<u>2,115,907</u>	<u>2,259,537</u> (negotiating)

Consistent with 2018 Budget
Estimated 6.8% Increase

*Premiums are subject to change during negotiations

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?