

CHELAN COUNTY PUD INSURANCE PROGRAM

POLICY RENEWAL 2024-25



CHELAN COUNTY

**Commissioner
Board Meeting**
June 17, 2024

Why We Are Here Today

- Annual update on insurance premiums and renewal
- Insurance policies renewal date is July 1, 2024
- Premiums and terms will be negotiated up to renewal date
- Motion requesting authorization for insurance program renewal with a “not to exceed” amount of \$7,800,000

Insurance Program Considerations

- Inflation still impacting property premiums
 - Property values increased 7.5% in 2023; 8.5% in 2024
 - Some of those increases are due to new facilities
- As discussed in June 3rd study session, wildfire liability risk continues to challenge utilities
 - FSOM expansion important to underwriters
 - Large wildfire insurance losses resulting in limited coverage options
 - Recent litigation verdicts cause concerns over whether the wildfire liability exposure exceeds insurance availability

Insurance Underwriter Meetings

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

2024: Presentations delivered individually to 31 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 at Rock Island; development of data analytic capabilities/HRI; GE extended warranty and asset management program

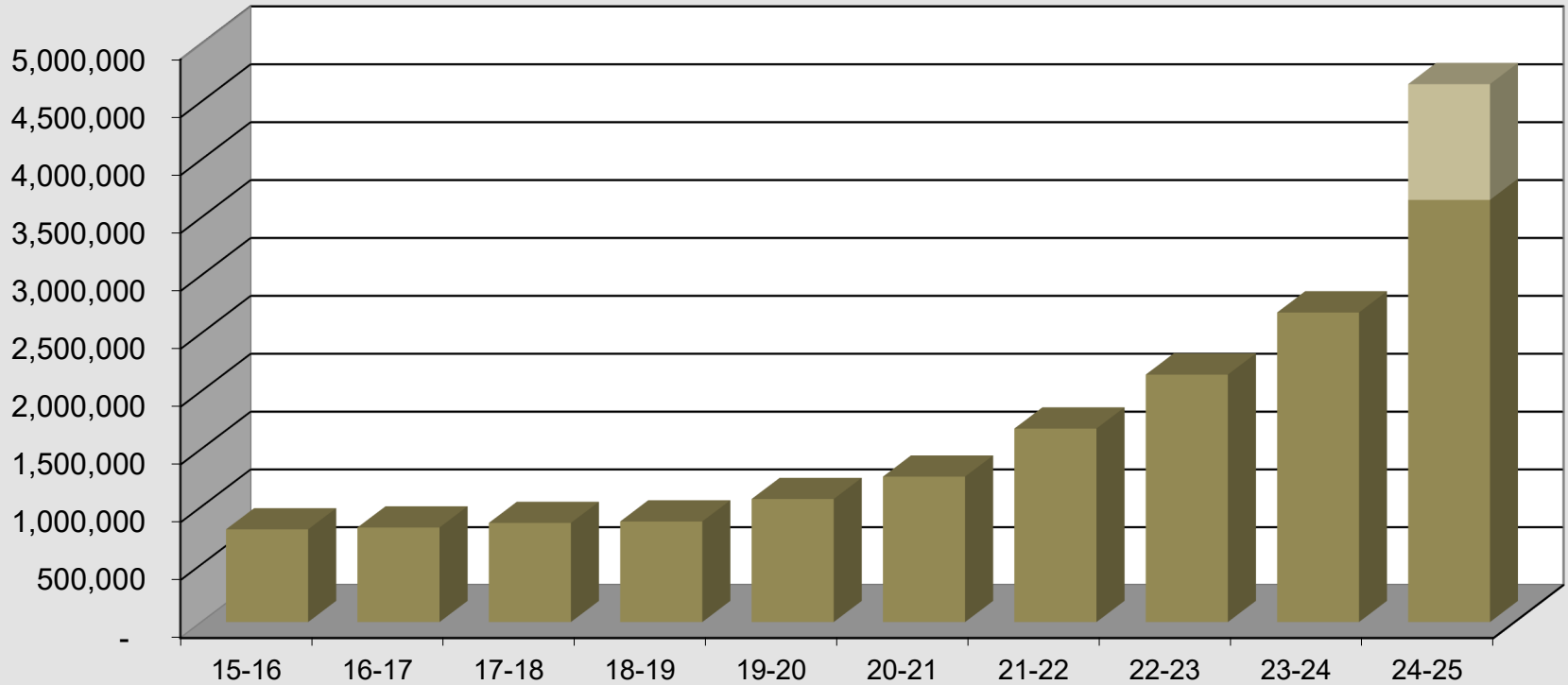
Captive Insurance Update

- As presented on June 3rd, District staff has been engaged with the WA State Office of the Insurance Commissioner to verify captives meet RCW requirements applicable to PUD's
- After initially indicating stand-alone captive insurance complies with RCW's, the state changed its position and now indicates the District cannot currently participate in captives
- Staff is exploring options that would allow the District to meet RCW requirements permitting captive use in future years

Renewal Update

- Fortunately, the renewal process is proceeding better than expected
- It may be possible for the District to purchase our full \$150M wildfire liability limits without captive insurance for the July 1st renewal
- To date, the broker has been able to leverage the District's limited service territory and wildfire mitigation program, including FSOM expansion, to achieve lower than expected quoted premiums
- Following broker meetings, one underwriter reduced pricing from \$1.5M to \$322,000 for \$15M in limits based on these factors
- Currently quotes have been received for \$90M of the \$150M in limits

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



2023-2024 Premium: \$2,679,001

Limit: \$185M/\$150M Wildfire

2024-2025 Premium: \$3,650,000 - \$4,650,000*

Increase: 36% - 74%*

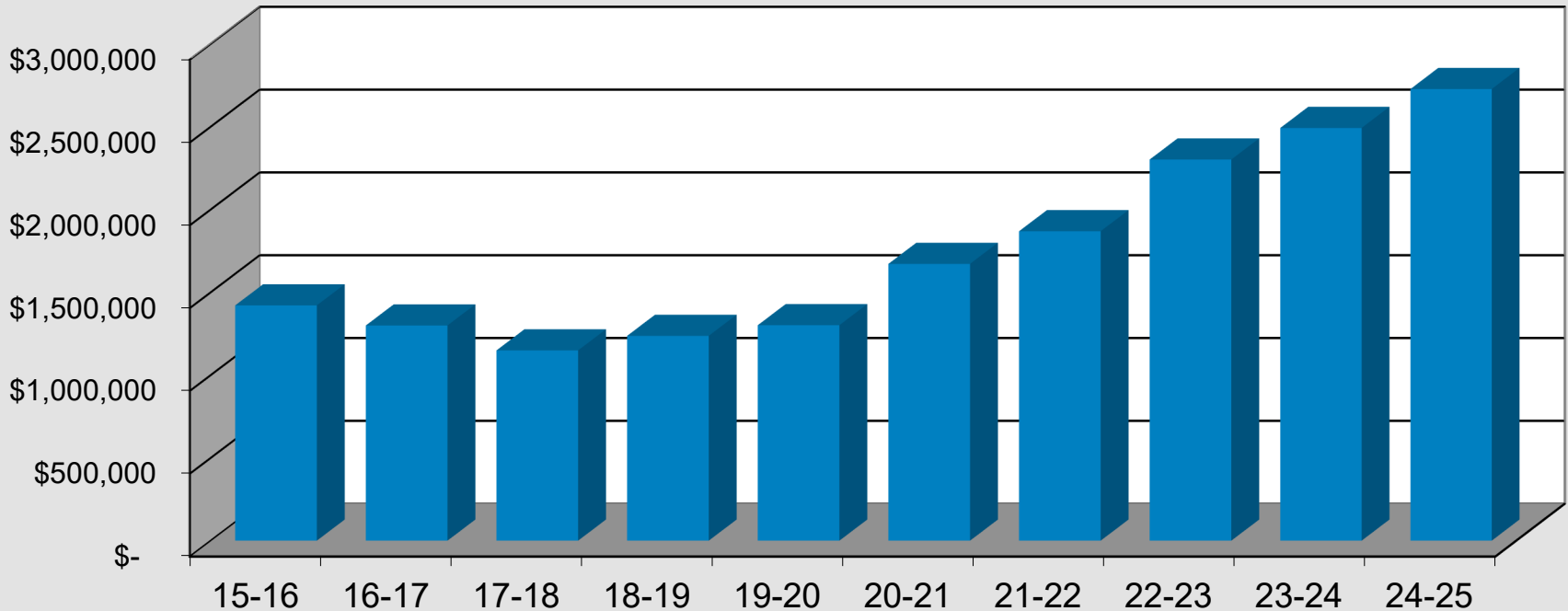
*Estimated costs, quotes still being received

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

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



PROPERTY (Premiums 2014 - 2024)



2023-2024 Premium: \$ 2,491,950

Limit: \$350 million

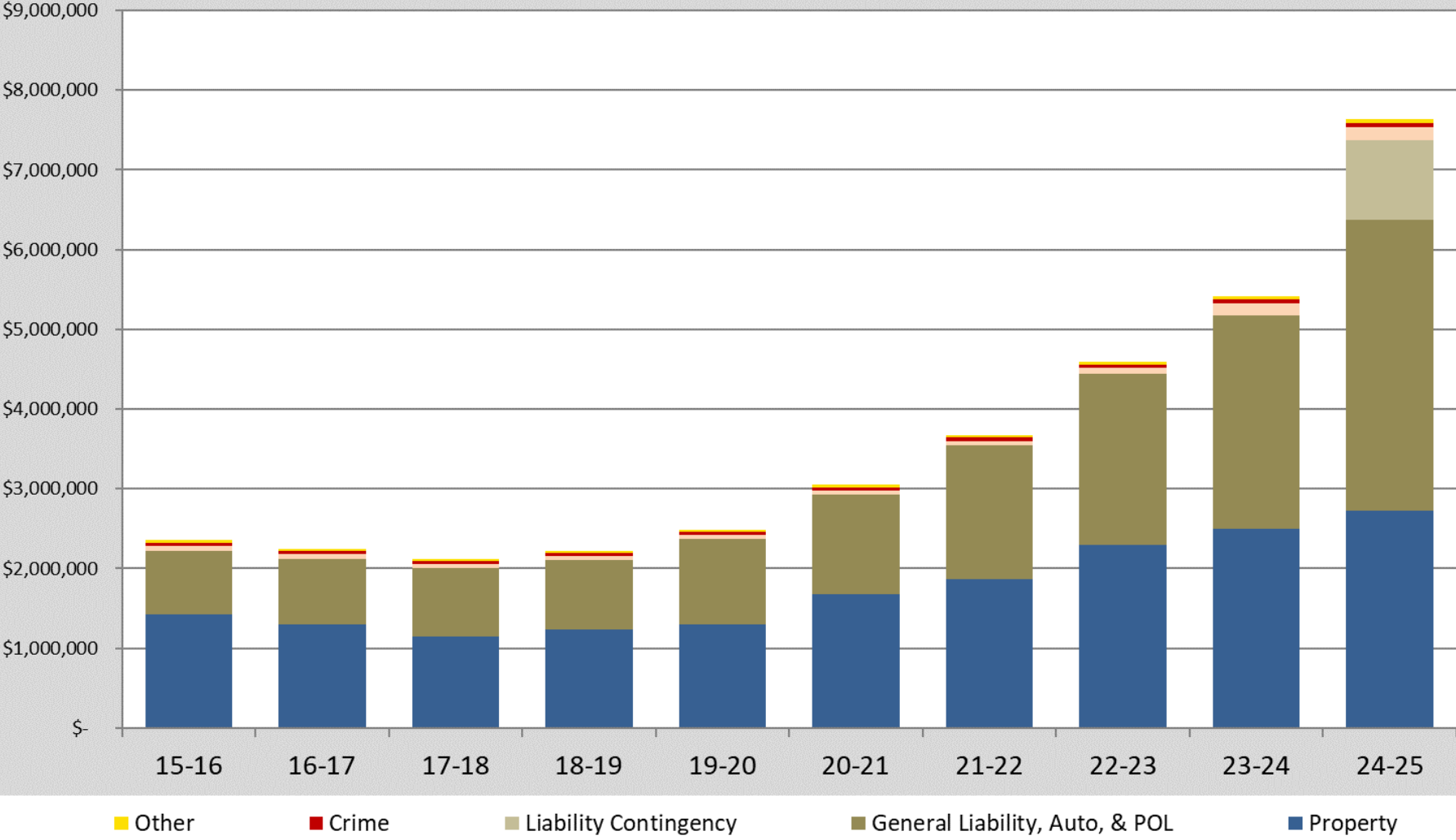
2024-2025 Premium: \$ 2,727,000*

Increase: 9.4%

*Estimated cost, quotes still being received



Insurance Policy Premiums 2014-2024



*Estimated costs, quotes still being received



Premium Summary

<u>Coverage:</u>	<u>Limit</u>	<u>Deductible</u>	<u>Actual</u>	<u>Low</u>	<u>High</u>
			<u>2023-2024</u>	<u>Estimate*</u> <u>2024-2025</u>	<u>Estimate*</u> <u>2024-2025</u>
Property/Mechanical Breakdown (Includes \$10M Lost Revenue Cover)	\$ 350M	\$1M	\$ 2,491,950	\$ 2,726,988	\$ 2,800,000
General/Auto/Public Officials Liability	\$185M**	\$2M	2,679,001	3,650,000	4,650,000
Crime	\$25M	\$100k	45,625	45,625	45,625
Non-Owned Aircraft	\$10M	\$0	10,085	10,085	10,085
Fiduciary Liability	\$10M	\$25k	25,650	26,190	26,190
Other Liability	\$10M	\$1M	157,327	173,250	173,250
			<u>5,409,638</u>	<u>6,632,138</u>	<u>7,705,150</u>

Estimated 22% - 42% Renewal Increase
5% - 14% over 2024 Budget

* Premiums are subject to change during negotiations

** Due to strategy to achieve lowest premiums, General Liability limit is \$185M with a wildfire limit of \$150M

Proposed Motion

To *authorize* expenditures by the District not to exceed \$7,800,000 plus surplus lines taxes and fees, for the purchase of District insurance for July 1, 2024-2025 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
- Continue to evaluate captive insurance as a potential tool to address future uncertainty in wildfire liability insurance markets
- Questions?