

MEMORANDUM

10/1/2025

To: John Mertlich, General Manager

Via: Bonnie Overfield, CFO 
Bonnie Overfield (Oct 1, 2025 10:09:37 EDT)

Tracy Johnson, Manager Enterprise Risk Management 
Tracy Johnson (Oct 1, 2025 20:21:09 PDT)

From: Brianna St. Marie, Senior Risk Analyst 
Brianna St. Marie (Oct 2, 2025 07:34:52 PDT)

Subject: 2025-2026 Insurance Renewals

Purpose

Grant PUD renews its property and casualty insurance coverage annually on November 1st. The District's insurance broker, Brown & Brown (Property) and Marsh (Casualty) are currently engaged in marketing for Grant PUD's insurance coverage and will provide a proposal detailing quoted premiums for its various insurance policies. We are recommending to John Mertlich, CEO/General Manager, that we proceed with procuring the insurance outlined below (subject to pricing changes before final binding). Further, due to the compressed timeline, we are requesting a motion for the Commission to authorize the Enterprise Risk Manager, on behalf of Grant PUD, to approve and execute insurance renewal coverages on or before November 1, 2025. This motion of delegation is requested because at least one of the individual policies exceeds the delegation authority and requires commission approval.

Discussion

Over the last year, the Risk Department, along with its brokers, completed extensive analysis and benchmarking of the District's current limits and self-insured retentions (deductibles) of all existing coverage. To remain consistent with other utilities, the insurance market, and evolving litigation trends. The Risk Department gathered quote options from the insurance market on the following limit changes:

Coverage	Option 1: Renew Expiring Limit	Option 2: Review w/ higher Limit
Excess Liability	\$60M	\$100M
<i>Same Insurance Carriers, coverage terms, & retention. ~\$1,350,000 Additional premium but will put us more in line with our exposures and peers</i>		
Directors & Officers	\$10M	\$20M
<i>Same Insurance Carrier, coverage terms, & retention. ~\$57,000 Additional premium but will put us more in line with our exposures and peers</i>		
Property	\$200M	\$300M
<i>Potentially different Insurance Carrier but comparable coverages, & same retention. ~\$170,000 Additional premium but will put us more in line with our exposures</i>		

First, we looked into increasing our Liability occurrence limit from \$60M to \$100M. Our lead policy is with AEGIS and they will offer to increase our limit to \$50M per occurrence / \$100M aggregate. Earlier this year, it was reported that 108 out of 302 members are buying more than \$35M now, up from 70 members at the beginning of last year so many others are moving in this direction as well. Our second Excess Liability layer is with EIM, and they have agreed to provide an option of \$50M over the AEGIS \$50M, getting us to our target of \$100M. Both carriers continue to look for rate increases driven by wildfire risk and as legal costs continue to increase, they announced that they will be targeting rate increases this year of around 20% on average (current estimate is we have an 18% increase).

Rising litigation and settlement costs have also driven us to right-size our Directors & Officers Liability coverage. Grant PUD was on the low end of peers and bringing us up from \$10M to \$20M matches us more closely with our peer group average. Pricing on this is favorable to add an increase at this time so it makes sense to make this shift now.

Our Property insurance limit has not changed since 2013, and cost of construction has increased dramatically since then with cost trends from insurance companies suggesting hydroelectric plant construction costs have increased 61% from 2013 to 2025. As far as timing for making the increase now, the overall property insurance market has finally moved into a “soft” market after a prolonged “hard” market that began in 2017. A soft market is characterized by an ability to expand coverage and potentially increase limits while maintaining the associated costs. We may find adding \$100M in limits will cost much less than projected just a few years ago.

Wildfire

As with previous years, insurance markets on the liability side, have continued to increase wildfire premiums to offset the wildfire losses that they have suffered over the last several years. 2024, although having the least number of fires in the last 24 years, had the most acres burned per fire. The number of acres burned was the 7th most on record, coming in 2M over the national average of 6.9M. Some utilities are paying upwards of \$1M for their \$35M limit wildfire premium, however Grant County does not have the same risk as Oregon, California, and the Western side of Washington, due to the nature of our landscape and topography and we have typically been able to push for lower premium.

The Risk Department met with several wildfire groups and insurance underwriters to share the story of Grant County’s wildfire risk based on our landscape and we hope that with further outside analysis next year, we can reduce this wildfire premium as well as continue to look out for other options to cover the risk as the insurance market for this exposure continues to evolve.

Premium Estimates

The premiums for insurance coverage for our 2025-2026 insurance renewals, if we chose to renew with the updated limits, are expected to total in the range of \$6.35M - \$6.85M (estimated) to replace the current 2024-2025 coverage.

The following table outlines the pricing for coverage for the 2025-2026 renewal. On the coverages that have changed limits/carriers this year, we have marked in bold:

Policy	Carrier(s)	Deductible	Coverage Limit	25-26 Projections	Rating difference from 24-25
Excess Liability	AEGIS/EIM	\$2M	\$100M	\$3,385,624	Up 19%
Non-Owned Aircraft Liability	Allianz	\$2,500	\$10M	\$11,000	Flat
Railroad Protective Liability	Fair American Insurance		\$2M	\$6,400	Flat
Foreign Liability	CNA	\$1,000	\$1M	\$2,600	Flat
Property	TBD	\$2.5M	\$300M	\$2,943,996	Down 2%
Directors & Officers	AEGIS	\$500K	\$20M	\$152,000	Flat
Fiduciary	AEGIS	\$10K	\$10M	\$26,036	Flat
Crime	Hiscox	\$15K	\$3M	\$9,812	Up 4%
Special Crime	Hiscox		\$2M	\$3,936	Flat
Employment Practices Liability	Intact Specialty	\$100k	\$2M	\$34,623	Up 56%
Cyber	Resilience	\$500K	\$10M	\$170,000	Down 53%
			Total	\$ 6,746,027	

Property Values

Grant PUD uses replacement value for its property coverage and as such the District's statement of values (SOV) must be reviewed, updated, and submitted annually. Each year, Risk contacts stakeholders for each of the listed classes of assets to review and determine the current replacement value based on any significant updates or additions. After the replacement value is updated on our end, the District's brokers then apply a multiplier sourced from Marshall Swift, BUREC, and Handy Whitman indices to capture any inflationary factors.

The value of Grant PUD's property portfolio increased 4.5% from last year's reported values based on the changes listed below. The most significant changes in this year's property values are caused by the addition of three new substations in the previous year, addition of the newly acquired EHQ Annex, and removing equipment and property that we no longer own.

Summary of Values	2024-2025 Values	2025-2026 Values	% Change in Values	Comments
Wanapum Dam	\$1,436,736,253	\$1,485,490,566	3.4%	Increased values
Priest Rapids Dam	\$1,531,508,529	\$1,572,433,238	2.7%	Increased values
Quincy Chute	\$45,585,884	\$47,462,414	4.1%	Increased values
PEC Headworks	\$39,478,033	\$39,868,613	1.0%	No Significant Change
Substations	\$472,615,817	\$543,013,225	14.9%	Addition of three new substations which went operational mid-term 2025
Service Centers, Warehouse, Transportation	\$137,788,950	\$144,056,634	4.5%	Increased values
Offices	\$46,777,313	\$55,051,531	17.7%	Added EHQ Annex mid-term 2025

Residential	\$8,762,855	\$7,831,234	-10.6%	Removed Hatchery Staff Housing for Desert Air/ Mattawa and Nason Creek
Recreation/Cultural, Hatcheries, Switchyards, Fiber Huts	\$124,843,932	\$126,707,379	1.5%	No Significant Change
Mobile Equipment - Owned	\$33,388,638	\$31,250,638	-6.4%	Removed some mobile equipment
Fine Arts	\$5,000,000	\$5,000,000	0%	No Significant Change
Total	\$3,882,486,205	\$4,058,165,471	4.5%	

Recommendation

We will not have final figures until the end of October; therefore, we are seeking the Commission's approval to delegate authority to Tracy Johnson, Enterprise Risk Manager, to make the final approval for binding insurance coverages to facilitate our November 1, 2025, renewal. Additionally, the finalized program will be reviewed and approved by Bonnie Overfield, VP of Finance/CFO, before official bind requests are submitted. The numbers included in this memo are the best attempt to capture renewal premiums and the Commission will be notified of the final insurance renewal premiums after binding coverage is complete.