

TACOMA PUBLIC UTILITIES INSURANCE COVERAGES – 2020 THROUGH 2024

August 28, 2024



Agenda

- Insurance Policies & Brokers
- TPU Self-Insurance Fund
- 3rd Party Insurance Coverage

Insurance Policies & Brokers



- **It is important to understand that both the Public Utility and City of Tacoma purchase and maintain their own, separate insurance policies.**
- **Both organizations operate in very disparate industries and therefore purchase very different coverages.**
- **For example, the Utility would not need to purchase law enforcement coverage, just as the City would not require coverage for power or water facilities and their operations.**
- **The Utility and City do share in the recruiting and hiring of the same insurance broker to cover both operations.**
- **This saves time and expense in the recruitment and hiring phase as well as allowing one broker to become familiar with the operations of both organizations, how they interact and what assistance the brokers can provide to help with both operations.**

TPU Self Insurance Fund



- TPU is self-insured up to \$2.5M for Liability, \$250K for Public Officials, \$1M for Rail Liability and \$250K for Property Loss
- TPU handles all claims and subrogation on behalf of three divisions
- Each division within the Public Utility maintains their own Self Insurance Fund.
- The Current balance for each division as of June 30, 2024, was:
 - **Tacoma Power-** \$4,684,756
 - **Tacoma Water-** \$420,661
 - **Tacoma Rail-** \$3,974,665
 - **Total Fund-** \$9,080,082
- Dollars within one fund cannot be used to pay for claims in another division. Maintaining funds in this manner lowers the premium of our insurance coverage, because underwriters know that funds have been set aside to pay on our losses.

Types of 3rd Party Insurance Coverage

Tacoma Public Utilities carries several types of Insurance.

The main policies will cover:

- **Property Coverage**
- **Excess Liability for both TPU & Tacoma Rail**
- **Public Officials Liability**
- **Railroad Rolling Stock**



3rd Party Insurance Policy Renewals



- *INSURANCE POLICIES ARE RENEWED ANNUALLY.*
 - *THE EXCESS LIABILITY & PUBLIC OFFICIALS POLICIES RENEW ON DECEMBER 1ST*
 - *THE PROPERTY AND RAIL ROLLING STOCK POLICIES, ON JULY 1ST.*

Property Insurance Coverage



Renewal	Coverage	Retention	Premium \$	Increase %
7/1/2024	\$150,000,000	\$250,000	\$1,545,558	6.4%
7/1/2023	\$150,000,000	\$250,000	\$1,452,217	39.1%
7/1/2022	\$150,000,000	\$250,000	\$1,043,681	24.8%
7/1/2021	\$150,000,000	\$250,000	\$ 836,222	46.3%
7/1/2020	\$150,000,000	\$250,000	\$ 571,474	14.4%
7/1/2019	\$150,000,000	\$250,000	\$ 499,621	

Rates have been increasing for property coverage each year.

- **Rates are affected by several external factors outside the control of the Public Utility.**
- **Factors such as continuous Wildfires causing Billions of dollars of financial loss resulting in tremendous payouts by insurance carriers.**
- **Hurricanes, the number and severity of these storms is increasing across the nation resulting in enormous loss of property, often covered by carriers.**
- **Even though Tacoma has not suffered these losses, our pool of coverage is affected by other locales which have, resulting in large insurance payouts.**
- **In the end, as with any business, insurance carriers will need to compensate for their payouts, also seen as losses, in the only way they have available, and that is to increase their rates.**

Excess Liability Coverage



Renewal	Coverage	Retention	Premium	Increase %
12/1/2023	\$60,000,000	\$2,500,000	\$2,586,878	22.2%
12/1/2022	\$60,000,000	\$2,500,000	\$2,117,325	24.1%
12/1/2021	\$60,000,000	\$2,500,000	\$1,705,730	42.1%
12/1/2020	\$60,000,000	\$2,500,000	\$1,200,732	2.3%
12/1/2019	\$60,000,000	\$2,500,000	\$1,173,206	

Causes of Liability Rate Increases



- **Increases in the cost of Liability coverage, as with property coverage increases, are caused by several factors, many outside of our control.**
- **The western United States is known for being very plaintiff friendly and awarding large payouts with virtually no limit to what a defendant can be forced to pay, much of which will be taken up by excess liability.**
- **Some states, such as California, have Strict Liability laws, holding a defendant liable, even when not negligent. This has been a huge factor in payouts for wildfire damages in California, allegedly caused by utilities operations.**
- **TPU has not had many instances to use our Excess coverages, which has not stopped rates from rising, albeit, not as much as could be expected had we needed to seek coverage.**
- **This policy is primarily to defend against actual physical damage or loss to property or bodily injury.**

Public Officials Liability Coverage



Renewal	Coverage	Retention	Premium	Increase %
12/1/2023	\$2,250,000	\$250,000	\$264,448	2.4%
12/1/2022	\$2,250,000	\$250,000	\$258,242	4.5%
12/1/2021	\$2,250,000	\$250,000	\$247,225	7.0%
12/1/2020	\$2,250,000	\$250,000	\$231,074	6.3%
12/1/2019	\$2,250,000	\$250,000	\$217,473	

- **Public Officials Coverage is \$2,250,000 per Occurrence, \$4,500,000 Aggregate for the year.**

- **The Public Officials policy is used to defend against claims filed due to decisions made by the Board or other officials of the Utility, which claimants may feel adversely affect them.**
- **Wrongful termination, failure to promote and discrimination are all factors, among others, which may result in this policy being used to defend the Utility's decision makers.**
- **This policy, unlike the excess liability, is not primarily to defend against a property loss type of claim.**

Tacoma Rail's Rolling Stock Coverage



Renewal	Coverage	Retention	Premium	Increase %
7/1/2024	\$2,400,000	\$75,000	\$30,931	2.2%
7/1/2023	\$2,400,000	\$75,000	\$30,262	-18.4%
7/1/2022	\$2,400,000	\$75,000	\$37,080	-2.7%
7/1/2021	\$2,400,000	\$75,000	\$38,118	20.1%
7/1/2020	\$2,400,000	\$75,000	\$31,750	

Fluctuation in Rolling Stock Rates



- **The premium for Rail's Rolling Stock is affected by the number and value of each locomotive in Rail's fleet.**
- **Years where the premium was reduced are years when Rail's number and value of locomotives was reduced.**
- **New engines and reengined locomotives that increase the fleet value will increase the corresponding cost of insurance.**

Railroad Excess Liability Coverage



Renewal	Coverage	Retention	Premium	Increase %
12/1/2023	\$100,000,000	\$1,000,000	\$942,626	5.3%
12/1/2022	\$100,000,000	\$1,000,000	\$895,544	2.4%
12/1/2021	\$100,000,000	\$1,000,000	\$874,488	1.5%
12/1/2020	\$100,000,000	\$1,000,000	\$861,260	58.6%
12/1/2019	\$100,000,000	\$1,000,000	\$543,005	

Railroad Liability Increase Causes



- **Tacoma Rail carries a separate policy for their Excess Liability based on losses peculiar to their divergent operations.**
- **Rail is affected by the commodities they carry, most appropriately, caustic chemicals and large numbers oil tanker cars.**
- **Factors that positively affect their rate are short line runs at low speeds on mostly level tracks. These factors mitigate the possibility of the types of losses recently seen in other areas by long line railroad carriers.**

Not Covered by 3rd Party Insurance



- **TPU's Policies for property do not cover infrastructure. Things such as dams, turbines, transmission lines, power poles, transmission towers or water mains.**
- **NOT all properties, nearly a Billion dollars worth, TPU owns and operates are covered by insurance.**
 - The cost would be prohibitive
 - The likelihood of losing all or most of the Utilities property in a single event is highly improbable.
- **Should we suffer such a loss, the survivors of the Utility would seek assistance from FEMA, as we have in the past.**
- **It should be noted that the utility cannot seek FEMA assistance on items that are covered under our existing insurance policies.**

- ***Thank you for your attention.***
- ***I would be happy to address any questions regarding the Public Utility's insurance coverage.***