

Staff Report

for the Board of Directors Meeting June 24, 2020

TO: Honorable Board of Directors Members

FROM: Greg Jones, Interim General Manager

DATE: 6/17/2020

SUBJECT: Alternative Insurance Package

ADMINISTRATION

RECOMMENDED ACTION:

Approve the purchase of alternative insurance programs for both workers compensation and property/liability coverages through Arthur J. Gallagher & Co. and authorize the Interim General Manager to execute the appropriate documents.

BACKGROUND:

In 2005, NID entered into a Workers Compensation Insurance program with Special District Risk Management Authority (SDRMA). In 2008, NID entered into another agreement with SDRMA to manage its Property/Liability Insurance Program. NID has continued to be a member of SDRMA's Property/Liability and Workers Compensation Programs to date.

NID has built a close relationship with SDRMA over the years. A difficult business decision was made recently by SDRMA to exclude overhead transmission and/or feeder electrical lines from all policies. Notice of this decision precipitated NID's investigation of additional insurance alternatives.

On Monday, February 24, 2020, NID received a call from SDRMA's Chief Membership Services Officer explaining that beginning July 1, 2020, SDRMA will no longer provide insurance coverage for above ground distribution and/or high-voltage electrical lines. The District currently owns and operates approximately 12 miles of above-ground electrical lines with an additional 1.7 miles of infrastructure to be acquired with the Deer Creek Powerhouse system. These electrical lines range in voltage from 480 volts to 115 kV and connect NID hydroelectric powerhouses with PG&E's regional distribution electrical system. The above-

ground electrical lines are critical to NID's delivery of clean, renewable power from its generation source.

On March 10, 2020, in accordance with SDRMA Agreement and Bylaws, NID submitted a Notice to Withdraw from SDRMA's insurance programs, effective June 30, 2020. SDRMA's Program Year begins July 1 and ends June 30.

On March 12, 2020, NID sent a Request for Qualifications to three recommended insurance brokerage firms. The firms were recommended from conversations with safety & risk managers from Placer County Water Agency, Modesto Irrigation District, Merced Irrigation District, and the Northern California Power Agency. RFQ's were sent to the following national & global leaders in insurance brokerage and risk management:

- Arthur J. Gallagher & Company Insurance Brokers: With a 94-year history, Gallagher has more than 2,400 energy, power and electric and water utilities in the U.S. focused on innovative risk management solutions; and
- AON: Offering risk advisory and structured insurance solutions to better identify and manage risk exposure; and
- Marsh Power, Utility & Renewables Practice: A global team of 500+ power, utility, and renewable energy specialists with technical expertise and industry experience to solve complex risk and insurance issues.

On March 25, 2020, NID received one Statement of Qualification from Arthur J. Gallagher & Company. As part of the submission, Gallagher identified a team of experts focused on claims, loss control, financial analysis, and risk protection. Gallagher offers a full suite of services to review current policies, practices, and controls in order to identify areas of vulnerabilities. Gallagher's services include safety and risk program audits, model policies, and safety best practices.

A team of NID staff assessed the Statement of Qualifications from Gallagher. Staff reviewed the firms' description of services, background and experience, staffing and management, and proposed pricing/commission structure. Overall, a review team gave Gallagher a score of 91 out of a possible 100 point scale.

NID entered into a Non-Disclosure Agreement with Gallagher on April 6, 2020, for the purposes of receiving District data and information from all District departments, and directly from SDRMA. To date, Gallagher has received over 4GB of documents, files, data, and information since early April, and has conducted multiple phone conversations with NID staff. Gallagher's lead, Allen Tyler, has been processing the information and synthesizing NID's needs in order to receive the most comprehensive, cost-effective, and financially feasible property/liability and workers compensation insurance package available in the market today.

Today, members of the Board will receive a review of Gallagher’s findings and recommendations on an alternative insurance program. Members will hear information regarding the benefits of a Gallagher-brokered insurance package, including Gallagher’s capabilities, expertise, services, insurance coverage opportunities, costs, and deductibles.

The window to evaluate NID’s total insurance package has been during an extremely condensed timeframe and a worldwide pandemic. A great effort of data collecting and analysis has been conducted during the past two months. The window to make a decision to withdraw from SDRMA’s insurance package programs close on June 30, 2020.

In addition to losing coverage on electrical lines, in March 17, 2020, NID received a 2020/2021 Property/Liability Program Estimated Contribution letter (attached), which explained a rate increase of approximately 51% on NID’s Property/Liability Program, an approximate \$355,000 additional annual premium cost.

SDRMA’s 5-year Workers Compensation & Property/Liability Package program costs are listed below for reference.

SDRMA Workers Compensation & Property/Liability Package Program Invoices				
Program Year	Workers Comp	Property/Liability	Total Program Invoice	% Change
2015 - 2016	\$ 447,692	\$ 379,797	\$ 827,489	
2016 - 2017	\$ 466,288	\$ 475,071	\$ 941,359	14%
2017 - 2018	\$ 352,668	\$ 545,555	\$ 898,223	-5%
2018 - 2019	\$ 451,444	\$ 633,137	\$ 1,084,581	21%
2019 - 2020	\$ 527,601	\$ 686,355	\$ 1,213,956	12%
2020 - 2021*	\$ 624,568	\$ 1,062,764	\$ 1,725,332	42%
<i>* Inclusive of \$38K Risk Engineering Reports & 51% Program Cost Increase ~\$355.000</i>				

It is staff's analysis that the Gallagher package will add a higher level of professional support to and for NID’s insurance and risk management needs. This support has been demonstrated over the past two months as NID staff have worked with Gallagher on both hydroelectric recommendations and safety loss-control consultations.

The Gallagher proposal will help solidify an NID insurance package with several improvements in overall coverage. Below is a high-level list of cost and coverage comparisons for review.

Cost & Coverage Comparison Chart

Coverage program major lines	SDRMA 2020-2021 projected cost and features	Gallagher package 2020-2021 projected cost and features current status	Quoting insurance carrier
Package program, which includes:	\$882,347	See bindable proposals received to date below.	
Property incl machinery, non hydroelectric	Included	\$741,956	Glatfelter AIG
Property including machinery hydroelectric	Included	\$535,000 plus taxes*	Zurich 35% lead
Quota share program participants >100% filled			Munich Re 20%
			Aegis 35%
			Lloyds 10%
Property and machinery risk engineering	Strongly recommended to purchase, \$38,000	\$38,000	Zurich
General Liability incl primary \$10MM umbrella	Included	Included	Glatfelter AIG
Overhead Electrical	Not covered	Covered full \$11MM premium included	Glatfelter AIG
Wildfire	Not covered	Covered full \$11MM premium included	Glatfelter AIG
Inverse Condemnation	Limited	Covered full \$11MM premium included	Glatfelter AIG
Failure to Supply Water	Limited	Covered full \$11MM premium included	Glatfelter AIG
Pollution	Limited	Included	Glatfelter AIG
Crime	Included	Included	Glatfelter AIG
Mobile Equipment	Included	Included	Glatfelter AIG
Cyber	Included	Included	Glatfelter AIG
Auto	Included	Included	Glatfelter AIG
Excess Liability \$10MM x \$10MM	\$180,417	\$92,577	Allied World
Workers Compensation	\$624,568	\$388,418	Glatfelter AIG
Target Solutions service	Included	\$12,005	Target Solutions
Expected total	\$1,725,332	\$1,807,956	
<small>*California Department of Insurance assesses "Surplus Lines taxes" on foreign domiciled insurers. This applies to both taxable and tax exempt policyholders.</small>			

It is staff's recommendation to approve the purchase of alternative insurance programs for both workers compensation and property/liability coverages through Arthur J. Gallagher & Co. and authorize the Interim General Manager to execute the appropriate documents.

This item is in alignment with Goal Numbers 1 and 3 of the District's Strategic Plan, supporting proactive management of the District's resources.

BUDGETARY IMPACT:

None at this time. NID has a combined total of Workers Compensation and Property/Liability insurance coverage budgeted at \$1,452,541 in FY 2020 which is adequate to absorb the 2020 expense with the second half of the additional premium expensed in FY 2021 budget when incurred.

ATTACHMENTS: (4)

- Gallagher Deep Dive Comparison by Line
- March 10, 2020 Intent to Withdraw Letter
- March 17, 2020 Property/Liability Program Estimated Contribution Letter for Program Year 2020-2021
- Gallagher PPT Presentation

Nevada Irrigation District July 1 2020 Insurance Proposals
Deep Dive Coverage Comparisons

Coverage program major lines	SDRMA 2020-2021 coverage detail	Gallagher proposal 2020-2021 coverage detail	Gallagher proposed insurance carrier
General Liability	\$10,000,000	Covered \$11,000,000	Glatfelter AIG
Deductible	\$5,000	\$5,000	Glatfelter AIG
Defense Costs	Included in limit, reduces limit	In addition to limit, does not reduce limit	Glatfelter AIG
Overhead Electrical	Not covered	Covered \$11,000,000	Glatfelter AIG
Wildfire	Not covered	Covered \$11,000,000	Glatfelter AIG
Failure to Supply Water	Limited to \$1,000,000. Coverage only if caused by damage to NID property	Covered \$11,000,000	Glatfelter AIG
Water Contamination	Fungal Pathogens Exclusion	Covered \$11,000,000	Glatfelter AIG
Water Treatment Errors and Omissions	Not covered	Covered \$11,000,000	Glatfelter AIG
Inverse Condemnation	Limited to \$1,000,000 SHARED WITH ALL SDRMA MEMBERS	Covered \$11,000,000	Glatfelter AIG
Employment Practices	\$10,000,000 coverage, deductible 50% of first 200,000	Covered \$11,000,000, no deductible	Glatfelter AIG
Scope	Limited to arising out of operations	Covered \$11,000,000	Glatfelter AIG
Sexual Harrassment	MEMBERS	Covered \$11,000,000	Glatfelter AIG
Dam Failure	Not covered with minor exceptions, broad exclusionary language	Primary coverage all dams, excess coverage smaller dams	Glatfelter AIG
Bowman South Arch	No Coverage	\$1,000,000	Glatfelter AIG
Bowman North Rockfill	No Coverage	\$1,000,000	Glatfelter AIG
Deer Creek Diversion	No Coverage	\$11,000,000	Glatfelter AIG
French Lake	No Coverage	\$11,000,000	Glatfelter AIG
Milton Diversion	No Coverage	\$11,000,000	Glatfelter AIG
Combie	No Coverage	\$1,000,000	Glatfelter AIG
Sawmill Lake	No Coverage	\$11,000,000	Glatfelter AIG
Jackson Lake	No Coverage	\$11,000,000	Glatfelter AIG
Scotts Flat	No Coverage	\$1,000,000	Glatfelter AIG
Jackson Meadows	No Coverage	\$1,000,000	Glatfelter AIG
Rollins	No Coverage	\$1,000,000	Glatfelter AIG
Faucherie	No Coverage	\$11,000,000	Glatfelter AIG
Dutch Flat Afterbay	1,000,000	\$11,000,000	Glatfelter AIG
Dutch Flat 2 Forebay	No Coverage	\$11,000,000	Glatfelter AIG
Loma Rica Airport	No Coverage	\$11,000,000	Glatfelter AIG
Pollution	\$1,000,000 note: aggregate limit shared with all other SDRMA members	\$1,000,000	Glatfelter AIG

Nevada Irrigation District July 1 2020 Insurance Proposals
Deep Dive Coverage Comparisons

Coverage program major lines	SDRMA 2020-2021 coverage detail	Gallagher proposal 2020-2021 coverage detail	Gallagher proposed insurance carrier
Cyber	\$2,000,000 note shared aggregate limitation other SDRMA members. Coverage limited to "devices for the purpose of processing data"	\$1,000,000	Glatfelter AIG
Data and Network Liability	\$2,000,000	\$1,000,000	Glatfelter AIG
Fraudulent Instruction	\$75,000	\$250,000	Glatfelter AIG
Funds Transfer Fraud	\$75,000	\$500,000	Glatfelter AIG
Cyber Extortion	\$2,000,000	\$20,000	Glatfelter AIG
Deductible	\$25,000	\$5,000	Glatfelter AIG
Auto	Included	Included	Glatfelter AIG
Liability deductible	\$5,000	\$0, no deductible	Glatfelter AIG
Physical Damage deductible	\$5,000	\$5,000	Glatfelter AIG
Excess Liability \$10MM x \$10MM	Limited form, no dropdown over SDRMA	\$10,000,000 following form excess, will integrate and drop down over exhausted	Allied World
Public Officials Liability	Excluded	Included	Allied World
Overhead Electrical and Wildfire	Excluded	Included	Allied World
Failure to Supply Water	Excluded	Included following damage to NID equipment	Allied World
Property - Fire, non hydroelectric Sublimits	Included	Included	Glatfelter AIG
Non-Hydro Machinery Breakdown	Included	Included	Glatfelter AIG
Deductibles	\$25,000	\$50,000	Glatfelter AIG
Property - Fire, hydroelectric			Zurich, AEGIS, MunichRe, London
Coverage limit	Per schedule	Per schedule	Zurich, AEGIS, MunichRe, London
Deductible Other Than Breakdown	\$25,000	\$100,000	Zurich, AEGIS, MunichRe, London
Deductible Machinery Breakdown*	\$350,000	\$350,000*	Zurich, AEGIS, MunichRe, London
*Note re breakdown deductibles applicable to generators only		*Machinery breakdown deductible for generators only will be higher at inception. Bowman, Combie North and South, and Scotts Flat \$1,000,000. Rollins \$2,000,000. Dutch Flat \$3,000,000. Chicago Park \$5,000,000. Zurich risk engineer to visit Chicago Park, Dutch Flat, Rollins, Bowman. Following that review, Zurich will provide risk control recommendations. Following completion of recommendations those deductibles will revert to \$350,000	Zurich, AEGIS, MunichRe, London
Crime - Employee Theft	\$1,000,000	\$1,000,000	Glatfelter AIG
Forgery or Alteration	\$1,000,000	\$500,000	Glatfelter AIG
Computer Fraud	\$1,000,000	\$500,000	Glatfelter AIG
Funds Transfer Fraud	\$1,000,000	\$500,000	Glatfelter AIG
Fraudulent Impersonation	\$75,000	\$250,000	Glatfelter AIG
Deductible	\$0	\$5,000	Glatfelter AIG
Mobile Equipment	Included, deductible \$25,000	Included, deductible \$1,000	Glatfelter AIG



NEVADA IRRIGATION DISTRICT


1036 W. Main Street, Grass Valley, CA 95945-5424
(530) 273-6185 ~ Fax: (530) 477-2646 ~ www.nidwater.com

March 10, 2020

Special District Risk Management Authority
1112 I St., #300
Sacramento, CA 95814

RE: Notice of Intent to Withdraw

Pursuant to Agreement Article 19 and Bylaws Article VII, section 4, notice is given that Nevada Irrigation District intends to withdraw from the Sixth Amended Joint Powers Agreement, the Joint Protection Programs, and all other Programs of the Special District Risk Management Authority, effective June 30, 2020.



Remleh Scherzinger, General Manager
Nevada Irrigation District

March 17, 2020

Mr. Greg Jones
Assistant General Manager
Nevada Irrigation District
1036 West Main Street
Grass Valley, California 95945

RE: 2020-21 Property/Liability Program Estimated Contribution

Dear Mr. Jones,

We sincerely appreciate your continued support of SDRMA and patience in waiting for the 2020-21 rates while we are working on obtaining renewal costs from the program excess/reinsurer carriers.

SDRMA continues to make every effort to reduce operating costs and minimize rate increases while ensuring the financial integrity of the Property/Liability Program. We have received initial indications from our excess/reinsurer carriers of imposed rate increases that are impacting all of their clients, including SDRMA.

The current insurance market continues to be impacted by the catastrophic losses around the world. Underwriting practices throughout the insurance market are consistently evolving due to the development of losses and cost of claims. Based on those factors and overall pool claims costs over the past several years, after considerable review and discussion with the SDRMA Board of Directors, 2020-21 renewal rates for the SDRMA Property/Liability Program need to be increased.

Instead of our normal annual rate letter, we are providing you with an estimated contribution percentage increase for use in your budgeting process. Over the next couple of months, we will continue to work with our excess/reinsurers to negotiate the rate increases on behalf of our program membership. Your agency's actual renewal contribution will be confirmed on the 2020-21 renewal invoice that will be sent out in mid-May.

The actual contribution amount for 2020-21 will vary compared to 2019-20 due to rate increases, any coverage limit changes, stand-alone policy pricing, scheduled item additions/deletions, updates on agency operations submitted on the renewal questionnaire, risk factor adjustments, and Credit Incentive Program (CIP) points earned. Your agency's estimated contribution percentage increase is as follows:

2019-20 Annual Contribution \$10M Liability Limits	2020-21 Annual Contribution Proposed % Increase
\$693,078.00	51%



Our excess insurance carriers have encouraged us to ask each agency about the need for high liability limits, as they charge SDRMA and the agency based on the higher liability limits they are providing. Please consider a decrease to your liability coverage in exchange for a decrease in contribution as shown in the table below:

Lower liability coverage from \$10 million per occurrence to:	Estimated <u>decrease</u> to FY 2020-21 Proposed % Increase (above)
\$5.0 million per occurrence	5%
\$2.5 million per occurrence	10%

Other Important Items to Note:

- If you would like to elect an alternative liability limit for 2020-21, please provide your selected limit by **April 30, 2020** by emailing memberplus@sdrma.org.
- No Longevity Distribution is declared for the Property/Liability Program this year.
- Our Multi-Program Discount provides members a great opportunity to save money. Members receive an automatic multi-program discount of 5% per program (Property/Liability and Workers' Compensation) while they belong to both programs.
- Your annual contribution provides your agency with access to safety and loss prevention services, resources, and trainings that are provided at no additional cost, including Target Solutions, AB 1825/AB 1234 training, ergonomic assessments, discounted CSDA Conferences, trainings and webinars, and safety DVDs.
- The 2020-21 estimated contribution range does not serve as a 'not to exceed' amount. Any policy adjustment made before or after July 1 may incur a change in premium.
- Members considering withdrawal from coverage with SDRMA for the 2020-21 program year are required to submit a "Notice of Intent to Withdraw" by April 1 in accordance with SDRMA Bylaws and must have completed the initial three full program year commitment period.

On behalf of the Board of Directors and our entire risk management team, we thank you for your continued participation in our programs! If you have any questions, please contact Ellen Doughty, at edoughty@sdrma.org or 800.537.7790.

Sincerely,
Special District Risk Management Authority

Laura S. Gill, ICMA-CM, ARM, ARM-P, CSDM
Chief Executive Officer

Presentation on Insurance Alternatives

June 24, 2020

Board of Directors Meeting
Nevada Irrigation District

Allen Tyler, CPCU, ARM
Senior Director,
Power and Utilities



Insurance | Risk Management | Consulting



Gallagher's Public Sector Practice

Gallagher's Public Sector Practice is committed to working as an extension of our clients' risk management teams. We have the resources and deep bench to help solve our clients' problems whether they are insurance-related or not because that is what they need.



13,500+
clients



320+
sales professionals



\$1 billion+
in annual premium

Who we serve

- Cities, counties, parishes and villages
- Special districts like fire, water, transit and utilities
- K12 public, private and charter schools
- State governments
- Insurance pools, cooperatives, JIFs, JPAs and mutual insurance companies

Exclusive to Gallagher

- Scholastic First Insurance
- One-2-One Risk Solutions
- Violent malicious acts coverage
- Disaster management services
- Public sector compensation services

Our clients include

- 4,500+ schools
- 120+ pools
- 1,000s of cities, counties, parishes and special districts
- 1,000s of municipalities
- 19 state governments

Gallagher is one of the nations largest brokers of insurance for water agencies

GGB-US Book Profile

Last Refresh: 3/31/2020

Year to Date

Rolling 12 Months

Clear Filters

Region

All

Branch

All

Satellite

All

Practice Group

All

SIC

Multiple selections

Coverage Type

All

Product Line

All

Placement Carrier

All

Issuing Carrier

All

\$34.9M

Premium

\$29M

Prior Premium

468

Client Count

3,459

Policy Count

Top 10 Placement Markets by Premium

Placement Carrier	Premium
Risk Placement Services	\$5.0M
Fairfax Financial Holdings Limited	\$4.8M
McKee Risk Management Inc	\$3.6M
Volunteer Firemen's Insurance Service Inc	\$3.1M
Aegis Security Insurance Group	\$1.9M
Chubb Limited	\$1.3M
James A. Grundy Agency, Inc.	\$1.3M
Travelers Group	\$1.1M
Swiss Reinsurance Company Limited	\$0.9M
American International Group, Inc.	\$0.9M
All Others	\$11.1M
Total	\$34.9M

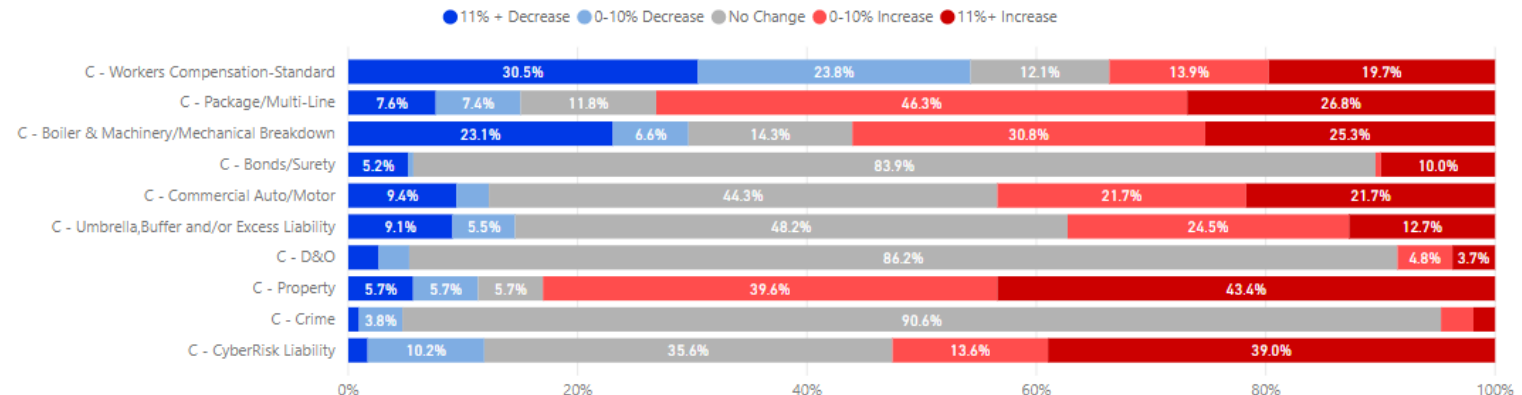
Top 10 Industry SIC's by Premium

SIC Code and Name	Premium
4941-Water supply	\$30.4M
4971-Irrigation systems	\$4.5M
Total	\$34.9M

Top 10 Issuing Carriers by Premium

Issuing Carrier	Premium
Fairfax Financial Holdings Limited	\$4.5M
Munich Reinsurance Company	\$3.1M
Chubb Limited	\$2.9M
Aegis Security Insurance Group	\$2.2M
American Financial Group	\$1.9M
Tokio Marine Holdings, Inc.	\$1.8M
CUNA Mutual Group	\$1.6M
Lloyd's of London	\$1.5M
American International Group, Inc.	\$1.5M
Travelers Group	\$1.1M
All Others	\$12.9M
Total	\$34.9M

Top 10 Products by % of Clients with Premium Change vs. Prior Period





Energy Practice

Gallagher's Energy Practice understands the risks and challenges of the power generation sector, offering a full range of professional services, engineering, contractual risk management and claims management. We deliver a team with real-world industry experience to help clients meet their risk management goals.



120,000+ MEGAWATTS

of power generation insurance placed



\$320+ MILLION

in energy premium placed annually

Deep resources:

- 2,250+ energy clients
- 275+ dedicated energy professionals
- 96%+ client retention
- The fastest-growing energy broker in the U.S.

Sectors served:

- Oil and gas
- Power generation
- Utilities
- Renewable and alternative energy
- Chemical manufacturing

Renewable and alternative energy experts:

- Wind, solar, hydro and geothermal
- 21,000+ megawatts of operating wind projects
- 17,000+ megawatts of renewable projects in development

A brief introduction to our California Water and Power team

Allen Tyler – Senior Director, Gallagher Power & Utilities



A 1980 graduate of the University of California, Berkeley, Allen received the Chartered Property and Casualty Underwriter (CPCU) designation in 1987, the Associate in Risk Management (ARM) designation in 1989, and the Construction Risk Insurance Specialist (CRIS) designation in 2018. Allen has served Public Entity Water Utility industry for many years. He was involved in the development of EPPIC, an alternative liability insurance market that brought liability insurance cost savings to municipal utilities. Allen and a partner co-developed the Public Utility Property/Argus Programs which have brought property insurance cost savings to public utilities for over a dozen years. Allen's clients are among the largest irrigation and public power agencies on the West Coast.

Daniel Lemus – Client Service Manager



Daniel is a 17 year veteran of the insurance industry, and handles the marketing, negotiating coverage with underwriters, managing customer service requests, and policy delivery to our utility and other public sector clients. Daniel worked for several leading regional brokers before coming to Gallagher. Daniel is a 1999 graduate of the University of California, Berkeley, and is a candidate in the CPCU program

Additional team members assigned to assist NID

John Munno – Director of Engineering Services, Gallagher Power & Utilities



John has 35-plus years of utility engineering and risk management experience; 25 years in the power generation and oil and gas industries as a plant engineering supervisor & risk manager and 10 years in the insurance brokerage industry. He began his career at Georgia Power as a nuclear fire protection engineer and spent time in utility company corporate loss control and risk engineering where he supported a variety of business units including generation, gas storage and delivery, electric transmission and distribution, and oil and gas exploration and production.

John has experience in manuscript policy modification, technical claims advocacy, client risk engineering advocacy and proposal development and delivery.

Linda Pierce, Esq. – Area Executive Vice President, West Region Claims Leader



Linda has more than 17 years' experience as an attorney. She works with complex and disputed claims for some of Gallagher's largest and most complex clients on the West Coast. She also has expertise in management liability claims, including directors and officers, errors and omissions, and employment practices liability. Linda is part of Gallagher's human resources consulting team and frequently assists clients with risk management issues such as leaves of absence, employee discipline matters, and related policies and procedures.

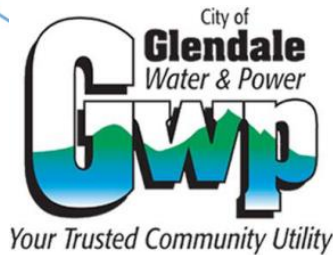
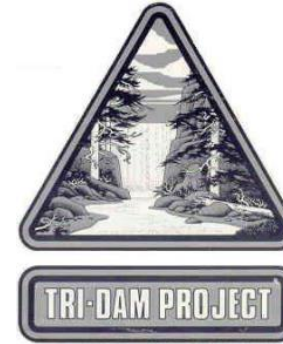
Will Valdriz, ARM, WCCA – Loss Control Consultant



Before joining Gallagher in 2020, Will has been a workers compensation specialist with experience as a claims adjuster, underwriter, as well as a loss control/safety consultant.

He has experience assisting clients with loss control support and is well versed in performing safety audits for a variety of client types. He specializes in claim risk reduction along with Cal/OSHA compliance. Will has been successful at developing and implementing program-specific safety plans for clients across diverse and demanding industries that reduce loss frequency and severity. He focuses on core loss drivers in order to reduce losses as well as insurance costs.

Representative clients of our California team



About Gallagher

- Gallagher is the 4th largest US insurance broker. Our 35,000 employees administer a full array of insurance, risk management, self-insurance, claims management and employee benefit products and services. Gallagher is a public company traded on the New York Stock Exchange, ticker symbol AJG.
- In 2020, Gallagher was named by Ethisphere Institute, for the eighth consecutive year, as one of the World's Most Ethical Companies™. Gallagher, the only insurance broker to make the list, joins a small and distinguished group of companies committed to operating at the highest possible standards of conduct. We are the only insurance brokerage firm to enjoy this distinction, let alone eight years in a row.



- Gallagher's Public Sector Practice is the largest broker of insurance for public agencies in the United states. We are responsible for placing insurance for over **13,500 clients** and **more than \$1 billion in annual premium** in the global marketplace.

Nevada Irrigation District insurance current state

Gallagher's perspective

- I. You have enjoyed a long relationship with SDRMA.**
- II. We perceive your happiness with SDRMA stems significantly from your management team's focus on excellence and quality. You make terrific use of available resources.**
- III. In a challenging reinsurance market SDRMA made the difficult business decision to no longer offer coverage important to NID.**
- IV. Proposals we have developed for NID have solved the SDRMA coverage problems, and we have discovered several other opportunities to improve coverage.**

The objectives for our development of alternatives

We began with topics of greatest importance, and have generally accomplished all objectives

- I. We sought a favorable budgetary impact of program changes**
- II. We have arranged an unbundled coverage structure, best in class by line of coverage**
- III. We have found several improvements in coverage**
- IV. Quotes preserve the best of what you like**
- V. We pledge a high level of professional support**
- VI. We have introduced enhanced ancillary services available to meet Nevada Irrigation District's needs**

Objectives for our presentation of insurance alternatives

- I. **Unbundled coverage structure – best in class by line of coverage. Examples:**
 - **For liability and non-hydroelectric property coverages**
 - Glatfelter water district specialty program
 - Allied World public entity specialty excess liability program
 - **For hydroelectric machinery breakdown and property coverages, a quota share program of power generation specialty underwriters:**
 - Zurich Global Energy – 35%
 - Associated Electric and Gas Insurance Services – 35%
 - MunichRe America Property Engineering – 20%
 - Underwriters at Lloyds, London - 10%

Value added service objectives

Deliver a high level of professional support.

- **Engineering review of hydroelectric plant maintenance and recommendations, along with advocacy for reasonableness of recommendations will be accomplished this year.**
- **Gallagher's Power and Utilities engineer John Munno (introduced earlier in this presentation) has already had an opportunity to consult with NID staff re the Combie South new transformer installation.**
- **Gallagher loss control specialist Will Valdriz has been introduced to your safety team and will be consulting to help you control workers compensation cost.**

Ancillary service improvement objectives

Enhance ancillary services available to meet SDRMA needs

Examples:

- Gallagher proprietary Core360 training portal
- Gallagher proprietary webinars and training topics
- Insurance company specific training resources:
 - AEGIS – an encyclopedic library of training and risk management reviews
 - On site risk management reviews
 - Lessons learned from major utility losses
- Gallagher data analytics, benchmarking, and risk modeling

Status of quoting process as of June 16, 2020

Coverage program major lines	SDRMA 2020-2021 projected cost and features	Gallagher package 2020-2021 projected cost and features current status	Quoting insurance carrier
Package program, which includes:	\$882,347	See bindable proposals received to date below.	
Property incl machinery, non hydroelectric	Included	\$741,956	Glatfelter AIG
Property including machinery hydroelectric	Included	\$535,000 plus taxes*	Zurich 35% lead
Quota share program participants >100% filled			Munich Re 20%
			Aegis 35%
			Lloyds 10%
Property and machinery risk engineering	Strongly recommended to purchase outside, \$38,000	\$38,000	Zurich
General Liability incl primary \$10MM umbrella	Included	Included	Glatfelter AIG
Overhead Electrical	Not covered	Covered full \$11MM premium included	Glatfelter AIG
Wildfire	Not covered	Covered full \$11MM premium included	Glatfelter AIG
Inverse Condemnation	Limited	Covered full \$11MM premium included	Glatfelter AIG
Failure to Supply Water	Limited	Covered full \$11MM premium included	Glatfelter AIG
Pollution	Limited	Included	Glatfelter AIG
Crime	Included	Included	Glatfelter AIG
Mobile Equipment	Included	Included	Glatfelter AIG
Cyber	Included	Included	Glatfelter AIG
Auto	Included	Included	Glatfelter AIG
Excess Liability \$10MM x \$10MM	\$180,417	\$92,577	Allied World
Workers Compensation	\$624,568	\$388,418	Glatfelter AIG
Target Solutions service	Included	\$12,005	Target Solutions
Expected total	\$1,725,332	\$1,807,956	
		*California Department of Insurance assesses "Surplus Lines taxes" on foreign domiciled insurers. This applies to both taxable and tax exempt policyholders.	

Thank you!

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