Peninsula Clean Energy
Executive Committee Meeting
April 8, 2019

Insurance Status and Recommendation
### Current Overall Coverage

<table>
<thead>
<tr>
<th>Insured</th>
<th>Type</th>
<th>Company</th>
<th>Term</th>
<th>Limits</th>
<th>Deductible/Retention</th>
<th>Premium to PCE</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>County of San Mateo; PCE is Additional Insured</td>
<td>Liability - Primary</td>
<td>Princeton</td>
<td>5/22/18 - 5/22/19</td>
<td>$2,000,000</td>
<td>$1,000,000</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>County of San Mateo; PCE is Additional Insured</td>
<td>Liability - 2nd Layer</td>
<td>Argonaut</td>
<td>5/22/18 - 5/22/19</td>
<td>$7,000,000</td>
<td>$0</td>
<td>$0</td>
<td>Total of $10MM</td>
</tr>
<tr>
<td>PCE</td>
<td>D&amp;O/ Employers Practices Liability</td>
<td>RSUI</td>
<td>7/24/18 - 7/24/19</td>
<td>$1,000,000</td>
<td>$50,000</td>
<td>$25,370</td>
<td></td>
</tr>
<tr>
<td>PCE</td>
<td>Worker's Compensation</td>
<td>State Compensation Insurance Fund</td>
<td>7/13/18 - 7/13/19</td>
<td>Statutory</td>
<td>$0</td>
<td>$22,332</td>
<td>Est premium (actual based on reported payroll)</td>
</tr>
</tbody>
</table>

|                          |                       |            |                   |            |                      |                | $47,702                                                              |

**Not included:**
- Property
- Crime
- Fiduciary
- Cyber/Professional Liability

**Issues:**
- Included in San Mateo County’s Coverage
- Significant deductible
Property and Casualty/Liability
Director’s and Officer’s Liability (D&O)
Current D&O Coverage

$1 million, with $50K deductible

- Covers D&O and Employment Practices Liability
- **Does not** cover Fiduciary (retirement plans)
- Covers Directors with (likely) secondary coverage from their current elected council coverage
- Covers PCE Officers
State of the D&O and EPL Market

Litigation Trend

- D&O: While frequency is still relatively low, claims are seen surrounding M&A, IPO’s, significant fluctuation of valuation (especially for unicorns), as well as (though of limited coverage) intellectual property matters.
- EPL: Aligned with the rise of the #MeToo movement, sexual harassment charges filed with the EEOC increased more than 12% in 2018. Wrongful termination and retaliation claims otherwise continue to remain prevalent. It is likely that these trends will continue into 2019.

Insurer Capacity

- D&O: Specific industries (crypto currency and cannabis, especially) continue to be tough for most carriers to write and most will decline outright. Pre-IPO’s, pharmaceuticals, bio-tech, and shared economy are challenging classes.
- EPL: CA (as well as Texas and Florida) is a loss leader. As such, carriers have continued to seek retention increases with corresponding employee growth.

Rates

- For the most favorable risk profiles (no claims, healthy financials and adequate funding, no RIFs) market-based pricing is close to expiring for an unchanged risk profile.
- Carriers are seeking rate and retention increases for EPL in California.
- Policy terms and conditions are generally holding firm with the most broad language in the last 10 years.

Risk Factors

- Increase in rated metrics (employee count, assets, revenues, net loss).
- Layoffs.
- Claim activity.
- High percentage of employees making over $100K.
- Not enough cash on hand to sustain operations in the next 12-18 months.
- Non-compliance with debt covenants.
Changes to Your Risk Profile

2018 Risk Profile
• Assets: $55.3M

2019 Risk Profile
• Assets: $111.8M
## Marketing Summary

**RSUI (Shared options)**
- $1M D&O Shared limit
- $50K D&O retention
- $1M EPL Shared limit
- $50K EPL retention
- $1M Fiduciary Shared limit
- $2.5K D&O retention
  \[= $32,120 \]
  *Prior/expiring at $25,370*

**RSUI (Separate options)**
- $1M D&O Separate limit
- $50K D&O retention
- $1M EPL Separate limit
- $50K EPL retention
- $1M Fiduciary Separate limit
- $2.5K D&O retention
  \[= $35,410 \]

**RSUI (Additional Limit Options)**
- $3M D&O Limits, with Fiduciary and EPLI limits reduced to $1M – $52,790 – RECOMMENDED OPTION
- $5M D&O Limits, with Fiduciary and EPLI limits reduced to $1M – $65,600

**Carriers who declined or stated could not compete**
- Euclid
- Hiscox
- PGU
## Summary D&O Pricing Options

<table>
<thead>
<tr>
<th>D&amp;O/ Employers Practices/Fiduciary</th>
<th>RSUI</th>
<th>5/1/19 - 5/1/20</th>
<th>$1MM D&amp;O / $1MM EPL and Fiduciary</th>
<th>$50k D&amp;O / $2,500 EPL and Fiduciary</th>
<th>$32,120</th>
<th>Shared Limits</th>
</tr>
</thead>
<tbody>
<tr>
<td>D&amp;O/ Employers Practices/Fiduciary</td>
<td>RSUI</td>
<td>5/1/19 - 5/1/20</td>
<td>$2MM D&amp;O / $2MM EPL and Fiduciary</td>
<td>$50k D&amp;O / $2,500 EPL and Fiduciary</td>
<td>$51,370</td>
<td>Shared Limits</td>
</tr>
<tr>
<td>D&amp;O/ Employers Practices/Fiduciary</td>
<td>RSUI</td>
<td>5/1/19 - 5/1/20</td>
<td>$1MM D&amp;O / $1MM EPL and Fiduciary</td>
<td>$50k D&amp;O / $2,500 EPL and Fiduciary</td>
<td>$35,410</td>
<td>Separate Limits</td>
</tr>
<tr>
<td>D&amp;O/ Employers Practices/Fiduciary</td>
<td>RSUI</td>
<td>5/1/19 - 5/1/20</td>
<td>$2MM D&amp;O / $2MM EPL and Fiduciary</td>
<td>$50k D&amp;O / $2,500 EPL and Fiduciary</td>
<td>$56,800</td>
<td>Separate Limits</td>
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<tr>
<td>D&amp;O/ Employers Practices/Fiduciary</td>
<td>RSUI</td>
<td>5/1/19 - 5/1/20</td>
<td>$3MM D&amp;O / $1MM EPL and Fiduciary</td>
<td>$50k D&amp;O / $2,500 EPL and Fiduciary</td>
<td>$52,790</td>
<td>Separate Limits</td>
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<tr>
<td>D&amp;O/ Employers Practices/Fiduciary</td>
<td>RSUI</td>
<td>5/1/19 - 5/1/20</td>
<td>$5MM D&amp;O / $1MM EPL and Fiduciary</td>
<td>$50k D&amp;O / $2,500 EPL and Fiduciary</td>
<td>$65,600</td>
<td>Separate Limits</td>
</tr>
</tbody>
</table>
Benchmarking

Considering Limit Adequacy
D&O Claims
What a loss looks like and its impact

More than 1 in 4 (26%) private companies reported experiencing a D&O loss in the last three years

$399,394¹
The average reported D&O loss

The most common losses are related to:

- **Customer** sues the company and/or its directors or officers for any reason other than physical injury, product failure, or impairment
- **Vendor or supplier** sues the company and/or its directors and officers
- **Competitor** sues the company and/or its directors and officers
- **Government agency** fines or sues the company and/or its directors and officers
- **Partner or other shareholder** sues the company and/or its directors and officers
- **Director or officer** is sued in connection with the purchase or sale of any equity or debt securities

Government agency Claims include violations of Rule 701. While rare, the SEC did fine Credit Karma in March 2018.

Source: Chubb Private Company Risk Survey
¹Total financial loss percent represents those with losses greater than $0.
Peer Groups Limit Purchasing (D&O)
Limits purchased based asset size greater than $100M

Source: RT ProExec
Sample: 106
Peer Groups Limit Purchasing (EPL)
Limits purchased based on employee count 0-50

Source: RT ProExec
Sample: 1055
Recommendation
## Recommended Coverage

<table>
<thead>
<tr>
<th>Insured</th>
<th>Type</th>
<th>Company</th>
<th>Term</th>
<th>Limits</th>
<th>Deductible/Retention</th>
<th>Premium to PCE</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>PCE</td>
<td>Property/Business Interruption</td>
<td>Federal (Chubb)</td>
<td>5/1/19 - 5/1/20</td>
<td>Replacement Cost</td>
<td>$5,000</td>
<td>$4,800</td>
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<tr>
<td>PCE</td>
<td>General/Employee Benefits Liability</td>
<td>Federal (Chubb)</td>
<td>5/1/19 - 5/1/20</td>
<td>$1MM/occurrence $2MM Aggregate</td>
<td>$1,000</td>
<td>$5,273</td>
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<tr>
<td>PCE</td>
<td>Hired &amp; Non-Owned Auto</td>
<td>Federal (Chubb)</td>
<td>5/1/19 - 5/1/20</td>
<td>$1,000,000</td>
<td>$1,000</td>
<td>$748</td>
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<tr>
<td>PCE</td>
<td>Umbrella Liability (over WC, General)</td>
<td>Federal (Chubb)</td>
<td>5/1/19 - 5/1/20</td>
<td>$10,000,000</td>
<td>$0</td>
<td>$8,240</td>
<td>Total of $11MM</td>
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<tr>
<td>PCE</td>
<td>Worker's Compensation</td>
<td>Federal (Chubb)</td>
<td>5/1/19 - 5/1/20</td>
<td>Statutory</td>
<td></td>
<td>$23,816</td>
<td>Est premium (actual based on reported payroll)</td>
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<tr>
<td>PCE</td>
<td>Cyber/Professional Liability</td>
<td>Landmark American</td>
<td>5/1/19 - 5/1/20</td>
<td>$2MM Limit / $250K Cyber Crime</td>
<td>$10,000</td>
<td>$10,836</td>
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<tr>
<td>PCE</td>
<td>Crime</td>
<td>Travelers</td>
<td>5/1/19 - 5/1/20</td>
<td>$500,000</td>
<td>$5,000</td>
<td>$1,335</td>
<td></td>
</tr>
</tbody>
</table>
| PCE     | D&O/ Employers Practices/Fiduciary | RSUI            | 5/1/19 - 5/1/20 | $3MM D&O / $1MM EPL and Fiduciary | $50k D&O / $2,500 EPL and Fiduciary | $52,790 | Separate Limits $107,838