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August 19, 2013

Mr. Paul G. Alexander, CPCU
Manager of Risk Management and Governmental Affairs
Burlington Electric Department
585 Pine Street
Burlington, VT 05401

RE: Burlington Electric Department's Property Insurance Renewal

Dear Paul:

Attached is the spreadsheet comparing the current policy term to the renewal term effective October 1, 2013 to October 1, 2014. I have also included for your review and use a copy of our "marketing comparison".

Due to the impact to the property insurance market centered around weather related claim activity over the last twenty-four months, it was an ideal time to bring Burlington Electric Department's property insurance coverage's to market. We submitted all of Burlington Electric Department's pertinent property underwriting information to AIG (BED's current insurer), Chubb Insurance Energy Underwriting Division, as well as Liberty Mutual Insurance Energy Underwriting Division to facilitate a competitive bid of Burlington Electric Departments Property Insurance Exposures.

AIG Insurance Company responded with the most competitive renewal bid for the new annual policy term (10-1-2013 to 10-1-2014) at \$228,260. Chubb Insurance Company submitted an annual premium bid of \$273,306 and Liberty Mutual Insurance Company submitted a response indicating that they would be uncompetitive in pricing with both AIG and Chubb Insurance. They did not specifically define a premium in their response.

AIG's renewal premium of \$228,260, constitutes a 4.63% rate increase over the prior policy term. This combined with a increase in property values, as submitted by Burlington Electric Department, of 8% produced an increase in premium, over the prior policy term, of 13%.

The 4.63% rate increase is still well below the current property insurance market rate increases of between 10% and 25%. This is primarily due to Burlington Electric Departments excellent claims history and to the longevity of the relationship between AIG and Burlington Electric Department.

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Should you have any questions regarding the Property Insurance renewal offering to Burlington Electric Department from AIG, please do not hesitate to contact me.

Sincerely,

Paul E. Plunkett, CIC
Senior Vice President/Principal
Hickok & Boardman, Inc,

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