



Commission Staff Report

December 11, 2020

COMMISSION MEETING DATE: December 14, 2020

SUBJECT: Approval of Amendment to Resolution No. 20-99 of the Northern California Power Agency's Major Insurance Renewals for Policy Year 2021

AGENDA CATEGORY: Discussion/Action

FROM:	Monty Hanks <i>MH</i> Assistant General Manager/CFO	METHOD OF SELECTION: N/A
Division:	Administrative Services	
Department:	Risk Management	

IMPACTED MEMBERS:		
All Members <input checked="" type="checkbox"/>	City of Lodi <input type="checkbox"/>	City of Shasta Lake <input type="checkbox"/>
Alameda Municipal Power <input type="checkbox"/>	City of Lompoc <input type="checkbox"/>	City of Ukiah <input type="checkbox"/>
San Francisco Bay Area Rapid Transit <input type="checkbox"/>	City of Palo Alto <input type="checkbox"/>	Plumas-Sierra REC <input type="checkbox"/>
City of Biggs <input type="checkbox"/>	City of Redding <input type="checkbox"/>	Port of Oakland <input type="checkbox"/>
City of Gridley <input type="checkbox"/>	City of Roseville <input type="checkbox"/>	Truckee Donner PUD <input type="checkbox"/>
City of Healdsburg <input type="checkbox"/>	City of Santa Clara <input type="checkbox"/>	Other <input type="checkbox"/>
<i>If other, please specify</i>		

RECOMMENDATION:

Northern California Power Agency (NCPA) staff recommends the Commission approve an amendment to Resolution 20-99 delegating authority to the General Manager to negotiate and bind property damage and casualty coverages increasing the not-to-exceed premiums from \$5,783,200 to \$6,783,200. The change is the result of an increase to the Property Damage premium from \$4,000,000 to \$5,000,000 while the other programs remain unchanged.

BACKGROUND:

At the November 4th Facilities Committee meeting, the insurance underwriters were not ready to quote or provide indications of NCPA's program (including LEC) before assessing their potential exposures and previous losses. Based on what other utilities were securing for their renewals, staff requested a not-to-exceed amount of \$4,905,300 for NCPA's major insurance programs. Of this total, \$3,122,100 represented the Agency's Property Damage premium, which was a 25% increase from the prior year.

Unfortunately, the LEC loss/claim experienced in 2020 for \$44m was considered catastrophic and has put significant pressure on NCPA's property damage renewals. On November 24th, six of the nine insurers on the Agency's program provided indications of projected premiums, the results reflected an increase in premiums closer to 60%. While three insurers hadn't quoted yet, staff assumed the balance of the program would be quoted at similar rates. Based thereon, at the December 2nd Facilities Committee, staff requested a reapproval of the Property Damage premium increasing the not-to-exceed from \$3,122,100 to \$4,000,000. The not-to-exceed amounts for the other programs (Casualty, Workers Comp, Auto) were not required to change. This recommendation was approved by the Commission on December 3rd with Resolution 20-99.

On December 7th, staff learned one of the remaining insurers quoted a rate that was more than twice what the other insurers had quoted. The Agency's insurance broker, Aon, immediately approached other markets attempting to replace this capacity but since the property policy expires December 15th, there was not sufficient time for Aon to accomplish this. While Aon continues to work on replacing this capacity, these new quotes are requiring staff to request an amendment to Resolution 20-99 increasing the Property Damage premium from \$4,000,000 to \$5,000,000 which will increase the total not-to-exceed for all renewals to \$6,783,200.

Lastly, due to the LEC's loss/claim, the insurers are increasing the property damage deductible from \$500,000 to approximately \$1,000,000 and increasing the deductible for LEC's Turbine/Generator from \$1,000,000 to approximately \$2,100,000

FISCAL IMPACT:

The total cost of the policy year 2021 insurance programs is an estimated, not-to-exceed of \$6,783,200. Property Damage premiums are estimated to nearly double from the prior year while the Casualty program is expected to increase approximately 50%. Staff will return in January with a final report of coverages, premiums and a budget augmentation, if needed.

ENVIRONMENTAL ANALYSIS:

This activity would not result in a direct or reasonably foreseeable indirect change in the physical environment and is therefore not a "project" for purposes of Section 21065 the California Environmental Quality Act. No environmental review is necessary.

COMMITTEE REVIEW:

The recommendation will be reviewed by the LEC PPC on December 14th. While staff was unable to review with the Facilities Committee, the increased not-to-exceed for the property damage premium was discussed with the Utility Directors on December 10th.

Respectfully submitted,

RANDY S. HOWARD
General Manager

Attachments: (2)
Amendment to Resolution 20-99
Resolution 20-99

AMENDMENT TO RESOLUTION 20-99

**AMENDMENT TO RESOLUTION 20-99 OF THE NORTHERN CALIFORNIA POWER AGENCY
APPROVING THE MAJOR INSURANCE RENEWALS
FOR THE POLICY YEAR OF 2021**

(reference Staff Report #240:20)

WHEREAS, Resolution 20-99 was approved by the NCPA Commission on December 3, 2020, granting authority to the General Manager to bind coverages with not-to-exceed rates for the 2021 renewal premiums of \$4,000,000 for property damage coverage which includes \$1,040,000 for LEC and \$1,783,200 for casualty coverage which includes \$209,100 for LEC; and

WHEREAS, quotes for property damage have now been received from the insurance underwriters and they are higher than previously approved limits; therefore increases are required to the not-to-exceed premiums; and

WHEREAS, this Amendment to Resolution 20-99 grants the authority to the General Manager to bind coverages increasing the not-to-exceed rates for the 2021 Property Damage premiums from \$4,000,000 to \$5,000,000, which includes \$1,290,000 for LEC, and keeping the not-to-exceed premium of \$1,783,200 for Casualty unchanged; and

WHEREAS, the total cost of the policy year 2021 insurance programs is an estimated, not-to-exceed of \$6,783,200; and

WHEREAS, this activity would not result in a direct or reasonably foreseeable indirect change in the physical environment and is therefore not a "project" for purposes of Section 21065 the California Environmental Quality Act. No environmental review is necessary; and

NOW, THEREFORE BE IT RESOLVED that the Commission of the Northern California Power Agency approves granting the authority to the General Manager to bind coverages at the proposed not-to-exceed rates for the 2021 renewal premiums of \$5,000,000 for property damage coverage and \$1,783,200 for casualty coverage.

PASSED, ADOPTED and APPROVED this ____ day of _____, 2020
 by the following vote on roll call:

	<u>Vote</u>	<u>Abstained</u>	<u>Absent</u>
Alameda	_____	_____	_____
San Francisco BART	_____	_____	_____
Biggs	_____	_____	_____
Gridley	_____	_____	_____
Healdsburg	_____	_____	_____
Lodi	_____	_____	_____
Lompoc	_____	_____	_____
Palo Alto	_____	_____	_____
Port of Oakland	_____	_____	_____
Redding	_____	_____	_____
Roseville	_____	_____	_____
Santa Clara	_____	_____	_____
Shasta Lake	_____	_____	_____
Truckee Donner	_____	_____	_____
Ukiah	_____	_____	_____
Plumas-Sierra	_____	_____	_____

 DAVID HAGELE
 CHAIR

ATTEST: _____
 CARY A. PADGETT
 ASSISTANT SECRETARY

RESOLUTION 20-99

**RESOLUTION OF THE NORTHERN CALIFORNIA POWER AGENCY
APPROVING THE MAJOR INSURANCE RENEWALS
FOR THE POLICY YEAR OF 2021**

(reference Staff Report #229:20)

WHEREAS, the Northern California Power Agency (the Agency) is required by various of its contracts and agreements with its members and its generating and transmission project participants to provide for property, casualty and other insurance to protect its interests therein; and

WHEREAS, the Agency utilizes the insurance brokerage services of Aon Risk Solutions, San Francisco, California to market and place the Agency's insurance programs. Each insurance policy and the related insurance market conditions are reviewed prior to the renewal date and remarketed as required to qualified insurers experienced in underwriting the applicable insurance risk; and

WHEREAS, due to the current wildfires in California, underwriters are not ready to quote NCPA's program before assessing their potential exposures; and

WHEREAS, in order to negotiate coverage before expiration of the policies, this action grants the authority to the General Manager to bind coverages with not-to-exceed rates for the 2021 renewal premiums of \$4,000,000 for property damage coverage which includes \$1,040,000 for LEC and \$1,783,200 for casualty coverage which includes \$209,100 for LEC; and

WHEREAS, LEC PPC reviewed and approved on November 10 and will review the increased not-to-exceed amounts on December 1, 2020. The Facilities Committee reviewed and recommended on November 4 and will review the increased not-to-exceed amounts on December 2, 2020; and

WHEREAS, this activity would not result in a direct or reasonably foreseeable indirect change in the physical environment and is therefore not a "project" for purposes of Section 21065 the California Environmental Quality Act. No environmental review is necessary; and

NOW, THEREFORE BE IT RESOLVED that the Commission of the Northern California Power Agency approves granting the authority to the General Manager to bind coverages at the proposed not-to-exceed rates for the 2021 renewal premiums of \$4,000,000 for property damage coverage and \$1,783,200 for casualty coverage.

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Santa Clara	_____	_____	_____
Shasta Lake	_____	_____	_____
Truckee Donner	_____	_____	_____
Ukiah	_____	_____	_____
Plumas-Sierra	_____	_____	_____

 TERESA O'NEILL
 CHAIR

ATTEST: _____
 CARY A. PADGETT
 ASSISTANT SECRETARY