



## Lodi Energy Center Project Participant Committee Staff Report

AGENDA ITEM NO.: 3

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**Date:** December 11, 2020  
**To:** Lodi Energy Center Project Participant Committee  
**Subject:** Reapproval of Property Insurance Renewals for the Policy Year of 2021

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### Proposal

NCPA staff recommends the LEC PPC reapprove delegating authority to the General Manager to negotiate and bind Property Damage insurance increasing the previous not-to-exceed from \$1,040,000 to \$1,290,000. There is no change to the previous approval for Casualty premium of \$209,100.

### Background

At the November 9<sup>th</sup> LEC PPC 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. Staff requested a not-to-exceed amount of \$796,445 for Property Damage premium representing about a 29% increase from the prior year. This estimate was based on what other utilities were securing for their renewals.

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 24<sup>th</sup>, six of the nine insurers provided indications for the program and the results reflected an increase in premiums closer to 68%. While three insurers hadn't quoted yet, staff assumed the balance of the program would be quoted at similar rates. On December 1<sup>st</sup>, staff requested a reapproval of the property damage premium increasing the not-to-exceed from \$796,445 to \$1,040,000.

On December 7<sup>th</sup>, 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 15<sup>th</sup>, 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 another reapproval increasing the Property Damage premium from \$1,040,000 to \$1,290,000 which will increase the total not-to-exceed for all renewals to \$1,499,100.

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 not-to-exceed Property Damage premium for policy year 2021 is \$1,290,000. There is no change to the not-to-exceed for Casualty premium of \$209,100. Depending on final premiums,

a budget augmentation may be required for FY21. 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.

Submitted by:



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