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Commission Staff Report

AGENDA ITEM NO: _____

Date: January 21, 2016
To: NCPA Commission
Subject: NCPA Major Insurance Renewals Update

Background

The Agency utilizes the insurance brokerage services of Marsh, Inc., 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 (A.M. Best rating of at least A-) insurers experienced in underwriting the applicable insurance risk.

As of November 19, 2015, Marsh successfully negotiated and secured property and liability coverages for both NCPA and Lodi Energy Center (LEC). With added coverages of terrorism in both the property liability insurance programs and increased liability policy limits, the cost for the entire insurance program including all policies is \$2,617,602, as compared to \$2,750,239 for last year. This is a decrease of \$132,637 or 4.82%. It is \$740,501 less than approved FY 2016 budget of \$3,358,103, a saving of 22.05%. The decrease in the overall cost of both the property and liability coverages, allowed the opportunity to purchase additional coverage while remaining within the approved FY 2016 budget.

Some highlights on the major changes include:

- Both NCPA and LEC's property insurance programs include terrorism coverage for 2016 renewal; terrorism coverage has always been rejected in the past.
- Excess liability policy limit has been increased to \$80 million, compared to \$35 million policy limit in the past. This is to address increased concern about liability exposure arising from a wildfire or other perils.
- Property premium rates are down 20% for the NCPA insurance program (composite) and down almost 15% for the LEC program.

See attached summary tables for details on changes in coverages and premiums.

Fiscal Impact

To-date, insurance renewals have been accomplished within the Insurance Program budget. The program saving over FY 2016 approved budget is \$740,501 or 22.05%.

Environmental Analysis

Insurance renewals do not result in a direct or reasonably foreseeable indirect change in the physical environment and are therefore not a “project” for purposes of Section 21065 of the California Environmental Quality Act. No environmental review is necessary.

Recommendation

Accept and file this report and attached Insurance Summaries detailing the status of insurance coverage being maintained by the Agency.

Respectfully submitted,

Prepared by:

Concurs With:

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General Manager

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Administrative Services/Finance

Attachment

- Summary table

Northern California Power Agency & LEC Property Insurance Premium Summary

	NCPA			LEC			TOTAL		
	2015 Expiring	2016 Renewal	% Change	2015 Expiring	2016 Renewal	% Change	2015 Expiring	2016 Renewal	% Change
Property Damage									
Property Damage & Terrorism	\$ 1,121,213	\$ 1,077,366	-3.91%	\$ 544,000	\$ 504,681	-7.23%	\$ 1,665,213	\$ 1,582,047	
Time Element	645,994	349,277	-45.93%	Not Purchased	Not Purchased		645,994	349,277	
Taxes/Fees	26,634	28,276		8,867	8,906		35,501	37,182	
Premium Total	<u>\$ 1,793,841</u>	<u>\$ 1,454,919</u>	-18.89%	<u>\$ 552,867</u>	<u>\$ 513,587</u>	-7.10%	<u>\$ 2,346,708</u>	<u>\$ 1,968,506</u>	-16.12%
Casualty									
\$35mm Excess Liability	\$ 297,835	\$ 299,867		\$ 93,183	\$ 89,792	-3.64%	\$ 391,018	\$ 389,659	
Additional \$45 Liability	N/A	226,811		Not Purchased	Not Purchased			226,811	
Terrorism	N/A	10,636		Not Purchased	1,863			12,499	
Taxes/Fees	9,531	17,194		2,982	2,933		12,513	20,127	
Premium Total	<u>\$ 307,366</u>	<u>\$ 554,508</u>	80.41%	<u>\$ 96,165</u>	<u>\$ 94,588</u>	-1.64%	<u>\$ 403,531</u>	<u>\$ 649,096</u>	
Grand Total	<u>\$ 2,101,207</u>	<u>\$ 2,009,427</u>	-4.37%	<u>\$ 649,032</u>	<u>\$ 608,175</u>	-6.30%	<u>\$ 2,750,239</u>	<u>\$ 2,617,602</u>	-4.82%