



Commission Staff Report

January 12, 2017

COMMISSION MEETING DATE: January 19, 2017

SUBJECT: NCPA Major Insurance Renewals Update

AGENDA CATEGORY: Informational

FROM: Rui Dai Energy Risk Manager	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 Ukiah <input type="checkbox"/>
Alameda Municipal Power <input type="checkbox"/>	City of Lompoc <input type="checkbox"/>	Plumas-Sierra REC <input type="checkbox"/>
Bay Area Rapid Transit <input type="checkbox"/>	City of Palo Alto <input type="checkbox"/>	Port of Oakland <input type="checkbox"/>
City of Biggs <input type="checkbox"/>	City of Redding <input type="checkbox"/>	Truckee Donner PUD <input type="checkbox"/>
City of Gridley <input type="checkbox"/>	City of Roseville <input type="checkbox"/>	Other <input type="checkbox"/>
City of Healdsburg <input type="checkbox"/>	City of Santa Clara <input type="checkbox"/>	<i>If other, please specify.</i>
<hr/> <hr/>		

RECOMMENDATION:

That the Commission accept and file this report

BACKGROUND:

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.

The purpose of this report is to provide an update on the actual renewal results as compared to what has been recommended by the Committee on November 16, 2016.

NCPA Insurance Programs Renewal

Aon Risk Solutions, San Francisco rigorously marketed NCPA property and liability insurance program and successfully negotiated and bonded renewal quotes for both property and excess liability coverages. The annual property insurance premium for 2017 policy year renewal is \$1,414,592. **This is a 20.80% below what was approved by the Committee in November and 10.37% below the premium of the expiring policy, given the fact that property insurable value increased by 3.18%, and business interruption exposure increased by 40.09% (due to higher forecasted generation revenue) over the policy year 2016.**

Excess liability coverage premium is expected to be \$556,921, for a policy limit \$80 million. This result represents a 2.12% decrease over what was approved by the committee in November and 1.84% decrease over the expiring policy premium. A detailed premium comparison is summarized in the table below.

NCPA Property and Liability Insurance Results Summary

	2016 Expiring	2017 Renewal Approved	\$ Change	% Change	2017 Renewal Actual	\$ Change	% Change vs Expiring	% Change vs Approved
Property Damage								
Property Damage & Terrorism	\$ 1,550,023				\$ 1,388,144			
Insurable Value	\$718,788,633	\$ 741,619,733	\$ 22,831,100	3.18%	\$ 741,619,733	\$ 22,831,100	3.18%	
Time Element	Included	Included			Included			
Taxes/Fees	28,276				26,448	\$ (1,828)		
BI Exposure	54,650,000	76,560,000		40.09%	76,560,000	\$ 21,910,000	40.09%	
Premium Total	\$ 1,578,299	\$ 1,786,000	\$ 207,701	13.16%	\$ 1,414,592	\$ (163,707)	-10.37%	-20.80%
Casualty								
\$35mm Excess Liability	\$ 312,727	\$ 320,545		2.50%	\$ 299,345	\$ (13,382)	-4.28%	-6.61%
Additional \$45 Liability	226,811	248,455		9.54%	230,001	\$ 3,190	1.41%	-7.43%
Terrorism	10,636				10,636			
Taxes/Fees	17,194				16,939	\$ (255)	-1.48%	
Premium Total	\$ 567,368	\$ 569,000	\$ 1,632	0.29%	\$ 556,921	\$ (10,447)	-1.84%	-2.12%
Grand Total	\$ 2,145,667	\$ 2,355,000	\$ 209,333	9.76%	\$ 1,971,513	\$ (174,154)	-8.12%	-16.28%

FISCAL IMPACT:

NCPA insurance renewals have been accomplished within the Insurance Program budget. Total cost of the NCPA project insurance, including taxes and fees, is about \$1,971,513, 22.69% below FY17 budget of \$2.55 million for these two major programs. Funds are available in the 924-009-000-190-070-010 (property insurance) and 925-009-000-190-070-010 (Liability insurance) accounts to fund this program. Cost allocation will be based on generation entitlement share.

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.

Respectfully submitted,

RANDY S. HOWARD
General Manager