



Commission Staff Report - *DRAFT*

Date: October 30, 2017

COMMISSION MEETING DATE: November 30, 2017

SUBJECT: Approval of Insurance Renewals for the Policy Year of 2018

AGENDA CATEGORY:

FROM:	Rui Dai	METHOD OF SELECTION:
	Risk Manager	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"/>
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:

NCPA staff recommends that the Commission approve the proposed insurance renewals and authorize the General Manager or his designee to bind the coverage at amounts not-to-exceed the proposed premiums.

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.

This year NCPA, together with Aon, launched an extensive marketing effort focused on presenting NCPA's proactive enterprise management approach and its rigorous loss prevention programs. Staff spent two days meeting with four leading underwriters in the market hoping to obtain improved coverage levels and/or reduced premiums for the members' assets. Management's commitment and effort have generated great results for the 2018 renewal of major insurance policies.

NCPA Insurance Programs Renewal Proposal

This year it was decided to combine the NCPA and Lodi Energy Center property policies into one policy to secure competitive rates and unify the policy limits, terms and conditions. The combined policy brings the NCPA property insurance policy limit to \$325,000,000, more than doubled comparing to the \$150,000,000 limit when underwritten separately before. Due to the difference in casualty exposure of NCPA and LEC projects, casualty insurances are still underwritten separately. The limits and premiums of the 2018 renewal in comparison to the expiring policy are summarized in the table below.

	2017 Expiring	2018 Proposal	\$ Change	% Change
Property Damage				
Property Damage & Terrorism	\$ 1,858,543	\$ 1,858,543	\$ -	0.00%
Insurable Value	1,096,847,895	1,137,944,336	41,096,441	3.75%
Rate per \$100	0.16944	0.16332	(0.006)	-3.61%
Time Element			-	
Taxes/Fees (estimate)	26,448	26,448	-	0.00%
BI Exposure	76,559,363	63,559,089	(13,000,274)	-16.98%
Premium Total	<u>\$ 1,884,991</u>	<u>\$ 1,884,991</u>	\$ -	0.00%
Casualty				
Policy Limit \$80 million				
Premium Total	<u>\$ 529,346</u>	<u>\$ 537,518</u>	\$ 8,172	1.54%
Grand Total	<u>\$ 2,414,337</u>	<u>\$ 2,422,509</u>	\$ 8,172	0.34%

In addition, Aon is negotiating to improve the limits with earthquake and flood. Also, the premium for property insurance will be near the 2017 levels even with a 3.75% increase of insurable value. This means the rate essentially decreased by 3.61%. The liability policy

premium increased by 1.54% over last year, less than half of the normal 5% increase that AEGIS charges to “no loss” accounts.

Highlights of the Program

- Property insurance market remained soft until the recent floods in Texas, hurricanes in Puerto Rico, and wildfires in California, insurance markets sentiment turned around, underwriters are looking at rate increases;
- As always, NCPA management takes a proactive approach to minimize the adverse impact of market condition changes. The marketing effort successfully increased the insurance underwriters confidence on NCPA’s business and risks;
- Given the changed market conditions and three claims in the past two years (2015 Geothermal wildfire and Hydro Plant landslide and 2017 storm damage on Hydro Beaver Creek), it is a great accomplishment to secure flat premium and some rate reduction on property programs and less than 2% rate increase with casualty insurances;
- The above results represents the most conservative case. Aon is aggressively negotiate for better results;
- Consolidating the two property policies into one and the underwriters panel into a few lead markets;
- Negotiating increases to various sub-limits

FISCAL IMPACT:

NCPA insurance renewals have been accomplished within the Insurance Program budget. Total cost of the above insurance programs, including taxes and fees, is about \$2,422,500, 24.77% below FY18 budget of \$3.22 million for the underlined programs. Funds are available in Property insurance and Liability insurance accounts to fund this program.

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.

COMMITTEE REVIEW:

The recommendation was reviewed by the Facilities Committee on November 1, 2017...

Respectfully submitted,

RANDY S. HOWARD
General Manager

Attachments: