



NCPA Facilities Committee

Staff Report

AGENDA ITEM NO.:

Date: November 16, 2016
To: NCPA Facilities Committee
Subject: NCPA Insurance Renewal

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.

NCPA Insurance Programs Renewal Proposal

NCPA operational property and liability insurance renewals are proposed at the same policy limits. The annual property insurance premium is expected to be \$1,786,000 for property coverage, including \$606,000 for Business Interruption coverage for extra expenses/replacement power on an annual exposure estimated at \$76.56 million. Excess liability coverage premium is expected to be \$569,000 (with tax and fees included), for a limit up to \$80 million.

The rate for property insurance premium remains flat. The increase in premium reflects the increase of the insurable value. The rate for liability premium increased by 2.5% over last year, half of the normal 5% increase that AEGIS charges to "no loss" accounts.

Highlights of the Program

- Property insurance market remain soft, rate remain flat, given two pending claims (Geothermal fire and Hydroelectric landslide);
- Premium increase reflects insurable value increase;
- Keeping the same underwriters panel for continuity in consideration of the two pending claims;
- Increased sublimits, for example, unscheduled/unnamed locations from \$1 million to \$15 million;
- Liability premium rate increase is half of the normal 5% increase AEGIS imposes on "no loss" accounts on average;

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 \$2,355,000, 7.65% 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

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

NCPA staff recommends that the Facilities Committee pass a motion to recommend NCPA Commission approval of the proposed major insurance renewals and authorize the General Manager or his designee to bind the coverage at amounts not to exceed the proposed premiums.

Respectfully submitted,

Prepared by:

DONNA STEVENER
Assistant General Manager/CFO
Administrative Services/Finance

RUI DAI
Energy Risk Manager

Attachment

- NCPA Insurance Renewal Overview 2017