



RESOLUTION NO. _____

BOARD LETTER APPROVAL

Ann M. Santilli
Ann M. Santilli (Oct 24, 2024 14:10 PDT)

ANN M. SANTILLI
Chief Financial Officer

A handwritten signature in black ink, appearing to read 'J. Quinones', is positioned above the name Janisse Quinones.

JANISSE QUINONES
Chief Executive Office and Chief Engineer

DATE: October 24, 2024

SUBJECT: Payment of Premium for Corporate Property Insurance Policy
January 1, 2025, to January 1, 2026

SUMMARY

The purpose of this request for Board approval is to authorize the payment of insurance policy premiums for LADWP's Corporate Property Insurance Program (CPIP) for the policy year January 1, 2025, to January 1, 2026. CPIP provides coverage for LADWP owned property and other facilities where LADWP has Operating Agent responsibility. These include Marketplace and McCullough Switching Station, Sylmar Converter Station, Mead-Adelanto Project, Intermountain Power Project, Adelanto Converter Station, the Apex Generating Station, the Linden Ranch Wind Farm, and the Pine Tree Wind/Solar Farms. The attached Resolution requests authority to procure coverage at a cost not to exceed \$14 million including taxes and fees.

The requested payment authority would allow the LADWP Risk Manager and Willis Towers Watson (Willis), our broker of record, to negotiate this coverage up to the date of policy inception.

City Council approval is not required.

RECOMMENDATION

It is recommended that the Board adopt the attached Resolution authorizing payment of CPIP insurance premiums to LADWP's Broker of Record or any participating insurance carriers on the property Insurance program.

ALTERNATIVES CONSIDERED

Self-insuring operational facilities with total insured values at approximately \$15 billion would not be prudent. Any catastrophic loss to our physical property assets would result in a significant financial impact to LADWP. Purchasing commercial insurance is the preferred alternative.

FINANCIAL INFORMATION

The target pricing for this year's renewal is approximately \$14 million including taxes and fees.

Previously LADWP spent as much as \$20 million on its property program. Beginning in 2021, the Risk Management (RM) Department restructured the CPIP to reduce the overall premium and expand the available coverage. Each year, RM and our current broker markets the plan to ensure we are getting the best coverage at the best price. The expiring policy premium for 2024-2025 was \$10,628,247, which included taxes and fees. For the 2025-2026 policy year, the traditional commercial property insurance markets are projecting an average premium cost of over \$25 million, however, the current premium estimate for the existing CPIP carrier(s) is projected to be approximately \$12 - \$14 million and includes coverage for earthquake and third party pollution. A primary reason for the premium savings is attributed to finding an insurer willing to place all of our property assets, including the renewable energy (wind, solar and battery storage) assets, under a single policy program that is only available to energy companies. In addition, we obtained very favorable premium quotes on the Operating Agent assets located in Utah, Nevada, and Washington which significantly reduced our overall premium outlay. We will again reach out to all markets to ensure we obtain the best available rates and coverage.

CPIP provides coverage on a corporate wide basis for not only LADWP property and assets, but also insures the projects where we act as operating agent. A portion of the cost (approximately 10 percent) is billable to the operating agent projects.

BACKGROUND

Currently, LADWP's CPIP program has one open claim stemming from Hurricane Hilary. Previously, based on LADWP's loss experience, the traditional insurance market required large deductibles for all losses under the property program. LADWP has greatly improved its loss history on its primary corporate property program and at IPA's IPP Generation Station. Based on aggressive marketing efforts by LADWP's property insurance broker, LADWP has been able to gradually restructure the property program

to one with a lower net deductible structure of \$5 million for our boiler and machinery property assets. For this renewal period, one of the goals is to maintain the current deductible alignment as we believe the deductibles accurately reflect LADWP's current risk exposures.

The property broker, Willis, has been directed to market the renewal to the incumbent carriers as well as seek new participation markets to ensure that the pricing and program structure is the best available in the market. Willis will provide LADWP with a Marketing Summary detailing their efforts to achieve the stated goals of maintaining our current deductible structure while obtaining coverage under the best possible terms and conditions. Once completed, the Marketing Summary will be retained by the Risk Management Section and made available for review upon request.

ENVIRONMENTAL DETERMINATION

Determine item is exempt pursuant to California Environmental Quality Act (CEQA) Guidelines Section 15060(c)(3). In accordance with this section, an activity is not subject to CEQA if it does not meet the definition of a project. Section 15378(b)(5) states that organizational or administrative activities that will not result in direct or indirect physical changes in the environment do not meet that definition. Therefore, entering into a property insurance brokerage contract is not an action subject to CEQA.

CITY ATTORNEY

The Office of the City Attorney reviewed and approved the Resolution as to form and legality.

ATTACHMENT

- Resolution