



CONSOLIDATED COMMISSION ON UTILITIES

Guam Power Authority | Guam Waterworks Authority

P.O. Box 2977 Hagåtña, Guam 96932 | (671) 648-3002 | guamccu.org

GPA RESOLUTION NO. FY2024-01

TO AUTHORIZE THE MANAGEMENT OF GUAM POWER AUTHORITY TO AWARD THE PROPERTY INSURANCE

WHEREAS, the Consolidated Commission on Utilities has determined that it is prudent and reasonable business practice to maintain insurance coverage on Guam Power Authority’s assets to the extent practical; and

WHEREAS, the Guam Power Authority’s Bond Indenture agreement requires GPA to “secure and maintain property insurance on all facilities constituting the system against risks of loss or damage caused by or resulting from fire and from action of the elements (including loss from typhoons, earthquakes, floods and tidal waves), to the extent that such insurance is obtainable at reasonable cost”; and

WHEREAS, the indenture further requires GPA to carry insurance “of scope and nature as that usually carried in the industry”; and

WHEREAS, GPA’s current Property Insurance policy was awarded in 2018 with a term of three (3) year period with two (2) options to renew for an additional one (1) year period and is set to expire on October 31, 2023; and

WHEREAS, in June 2023, GPA issued its solicitation for property insurance under multi step bid MS GPA-039-23, for a three-year (3) term with two one-year options; and

1 **WHEREAS**, one vendor submitted a proposal, which is GPA’s incumbent provider; and

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3 **WHEREAS**, due to the hard market, the initial premium came at 20% higher than prior
4 premium, MS GPA-039-23 was cancelled and sole source was done to negotiate a reduced
5 premium by looking at catastrophic and non-catastrophic coverage and options; and

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7 **WHEREAS**, the contract review protocol established by the Public Utilities Commission
8 (PUC) requires that all contracts in excess of \$1.5 million be authorized by the PUC; and

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10 **WHEREAS**, the insurance broking team has configured, with the goal in mind of
11 improving to the greatest extent possible the terms and conditions of GPA’s property insurance
12 policies and will continue to look at options available before the renewal date of November 1,
13 2023; and

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15 **WHEREAS**, GPA recommends to award the contract to AM Insurance, a local insurance
16 brokerage firm, and its affiliates for the period from November 1, 2023 to November 1, 2024,
17 and four one-year options and the broker and the underwriters are prepared to offer the following:

- 18 • Broker and underwriters will continue to look at options available to reduce
19 insurance premium before the renewal date of November 1, 2023. The options
20 are as follows:
- 21 ○ Increase deductible for Earthquake, Flood, Typhoon and Tsunami from
 - 22 ○ \$10 million to \$20 million.
 - 23 ○ Reduce the Sub-limit for Earthquake, Flood, Typhoon and Tsunami from
 - 24 ○ \$100 million to \$50 million.
 - 25 ○ Reduce the fire coverage from \$200 million to \$100 million.
 - 26 ○ Reduce the fire coverage from \$200 million to \$100 million.
 - 27 • The premium will not exceed \$7,873,858 for policy period from November 1,
 - 28 • 2023 to November 1, 2024.

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30 **WHEREAS**, GPA now brings these matters before the Consolidated Commission on
31 Utilities.

1 **NOW, THEREFORE BE IT RESOLVED**, by the Consolidated Commission on
2 Utilities, as the governing body of the Guam Power Authority, subject to the approval of the
3 Guam Public Utilities Commission, as follows:

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- 5 1. The GPA General Manager is authorized to enter into a contract with AM Insurance
6 and its affiliates.
- 7 2. The GPA General Manager is authorized to accept the annual premium offered by
8 AM Insurance and its affiliates not to exceed Seven Million Eight Hundred Seventy-
9 Three Eight Hundred Fifty-Eight Dollars (\$7,873,858).
- 10 3. The one-year contract with four one-year options is estimated at Thirty-nine Million
11 Three Hundred Sixty-Nine Thousand Two-Hundred Ninety Dollars (\$39,369,290).
- 12 4. Management is authorized to work with insurance consultant, broker and
13 underwriters to look at options to reduce insurance premium.
- 14 5. Management is authorized to exercise the following options:
- 15 a. Increase deductible for Earthquake, Flood, Typhoon and Tsunami from \$10
16 million to \$20 million.
- 17 b. Reduce the Sub-limit for Earthquake, Flood, Typhoon and Tsunami from
18 \$100 million to \$50 million.
- 19 6. If additional savings can be realized, Management is further authorized to exercise
20 the following option:
- 21 a. Reduce the fire coverage from \$200 million to \$100 million.

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23 **RESOLVED**, that the Chairman of the Commission certifies and the Secretary of the
24 Commission attests to the adoption of this Resolution.

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27 **DULY AND REGULARLY ADOPTED**, this day of 26th of October, 2023.

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29 Certified by:

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31 **JOSEPH T. DUENAS**
32 Chairperson

Attested by:



PEDRO ROY MARTINEZ
Secretary

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I, **Pedro Roy Martinez**, Secretary of the Consolidated Commission on Utilities (CCU) as evidenced by my signature above do hereby certify as follows:

The foregoing is a full, true and accurate copy of the resolution duly adopted at a regular meeting by the members of the Guam Consolidated Commission on Utilities, duly and legally held at a place properly noticed and advertised at which meeting a quorum was present and the members who were present voted as follows:

AYES:	<u>5</u>
NAYS:	<u>0</u>
ABSTAIN:	<u>0</u>
ABSENT:	<u>0</u>

