



Update on U.S. Insurers' Pacific Gas and Electric Company (PG&E) Exposure: Additional Analysis Shows Indirect Exposure is Immaterial (3/6/19)

PG&E announced intentions to declare Chapter 11 bankruptcy in January 2019. The NAIC Capital Markets Bureau published a Hot Spot on Jan. 16, 2019, "As PG&E Intends to Seek Bankruptcy Protection, U.S. Insurer Exposure is Limited," citing that U.S. insurers' exposure to PG&E bonds at year-end 2017 totaled approximately \$5.8 billion in book/adjusted carrying value (BACV). While this was relatively small in comparison to the total bond exposure, it could pose a risk for insurers with "large" exposures within their investment portfolios.

Since PG&E's Jan. 29, 2019, bankruptcy filing, the NAIC Capital Markets Bureau has further analyzed the industry's exposure to PG&E to include related companies that may be negatively affected by the PG&E bankruptcy. These companies are entities from which PG&E contracted to purchase energy (mainly renewable) or energy storage capacity. A negation of these contracts would decrease cash flow to these companies, thereby reducing available cash for debt service and, in turn, potentially jeopardizing their credit ratings. The company names were found using a search of PG&E bankruptcy-related filings.

The analysis revealed that U.S. insurer indirect exposure to PG&E amounted to a BACV of about \$1.9 billion in bonds and about \$6 million in common and preferred stock as of year-end 2017 (see Table 1).

Table 1: Total U.S. Insurer Indirect Exposure to PG&E, Year-End 2017 (\$BACV)

Company	Bonds	Common and Preferred Stock	Total
Avangrid Renewables	\$510,019,137	\$4,138,506	\$514,157,643
Capital Power Corporation	\$116,884,486	\$1,855,105	\$118,739,591
Crockett Cogeneration	\$90,300,973		\$90,300,973
ExGen ReNewables IV	\$15,846,205		\$15,846,205
Itron Inc.	\$14,116,858		\$14,116,858
Panoche Energy Center	\$214,002,525		\$214,002,525
Topaz Solar Farms	\$722,422,127		\$722,422,127
URENCO Limited	\$176,555,092		\$176,555,092
Total	\$1,860,147,403	\$5,993,611	\$1,866,141,014

Total U.S. insurer exposure to bonds issued by the eight companies represented about 0.4% of the capital and surplus of insurers with indirect PG&E exposure. Life insurers accounted for almost 90% of the total indirect PG&E bond exposure, followed by property/casualty (P/C) insurers at 8.2%. That said, while the exposure is immaterial, it could be at risk if PG&E experiences significant credit, liquidity and/or market value deterioration.

The NAIC Capital Markets Bureau will continue to monitor the current events with PG&E and report as deemed appropriate.