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