

**PORT OF SEATTLE**  
**MEMORANDUM**

**COMMISSION AGENDA**  
**STAFF BRIEFING**

<b>Item No.</b>	<u>7d</u>
<b>Date of Meeting</b>	<u>September 24, 2013</u>

**DATE:** September 16, 2013  
**TO:** Tay Yoshitani, Chief Executive Officer  
**FROM:** Jeff Hollingsworth, Risk Manager  
**SUBJECT:** Briefing on the Port liability insurance renewal for the policy year beginning on October 1, 2013

**SYNOPSIS**

This briefing is on the upcoming Port's liability insurance renewal. The Port's current liability insurance program expires on September 30, 2013. The Port is in the process of finalizing the purchase of this coverage for the policy year starting on October 1, 2013, and expiring on September 30, 2014.

**BACKGROUND**

The Commission presentation will focus around the issues of renewing the insurance liability program. The primary insurance policies to be renewed include the airport operators general liability, the non-aviation general liability, police professional liability, public official's liability, fiduciary liability, and employee dishonesty (crime). The renewal process for these policies include updating the Port underwriters on current and forecast finances, the operating budget, current and ongoing operations, and on-going and new claims. The Port uses an insurance broker (Alliant Insurance Services, Inc.) to help collect and aggregate the renewal data and then submit the data to incumbent and prospective insurance carriers to obtain quotes for the renewal.

Additional factors to those mentioned above include the strength of the Port's indemnity agreements with its lessees, prime tenants, and contractors as well as in personal and professional service agreements. The distinction between operations controlled and run by the Port versus what tenants do is also a factor. The number and magnitude of current and recently closed claims is also part of the underwriting review. Examples of Port-managed operations that the underwriters will review closely include the new rental car busing operation, marina operations, and airport parking.

The current state of the insurance markets also dictates the type of pricing that the Port will obtain on its renewal. Certain areas such as general liability have remained fairly flat, while areas such as errors and omissions, directors/officers, and public official's liability have had market increases since a year ago. The Port self-insures auto liability for the first million but then insures auto, including all Port vehicle operations, through

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excess coverage up to \$50 million. Thus the size of the Port's fleet has a direct impact on the cost for this coverage.

Each policy has a specific deductible. The deductible and the limits of the policy impact the cost of coverage. In general, higher deductibles and lower limits will result in lower premium costs. Adding non-standard coverage, such as terrorism liability, will add to the cost of the policy.

Areas that the underwriters are focusing on for this renewal include overall limits at the Airport, the rental car facility busing operation, the ramp control tower at the Airport, and the anticipated amount of rail operations on the rail link.

Risk Management will review the quotes our broker provides and then consider options to limit or enhance coverage. The goal is to minimize cost increases but at the same time not under-insure critical operations. Risk Management will review options with division Budget and Finance to get their input prior to binding coverage on September 30.

The insurance renewed on September 30, 2012, at a cost of \$781,000. The renewal cost for September 30, 2013, is anticipated to be between \$800,000 and \$815,000.

## **ATTACHMENTS TO THIS BRIEFING**

- Computer slide presentation.

## **PREVIOUS COMMISSION ACTIONS OR BRIEFINGS**

- None