

Item No.:
Meeting Date:

7b_supp
June 24, 2014

Property Insurance Renewal Update

Outline

- Structure of Property Insurance
- Cost Re-Cap
- Coverage Details and Cost Factors
- Earthquake Coverage Notes
- Renewal Projection for July 1, 2014

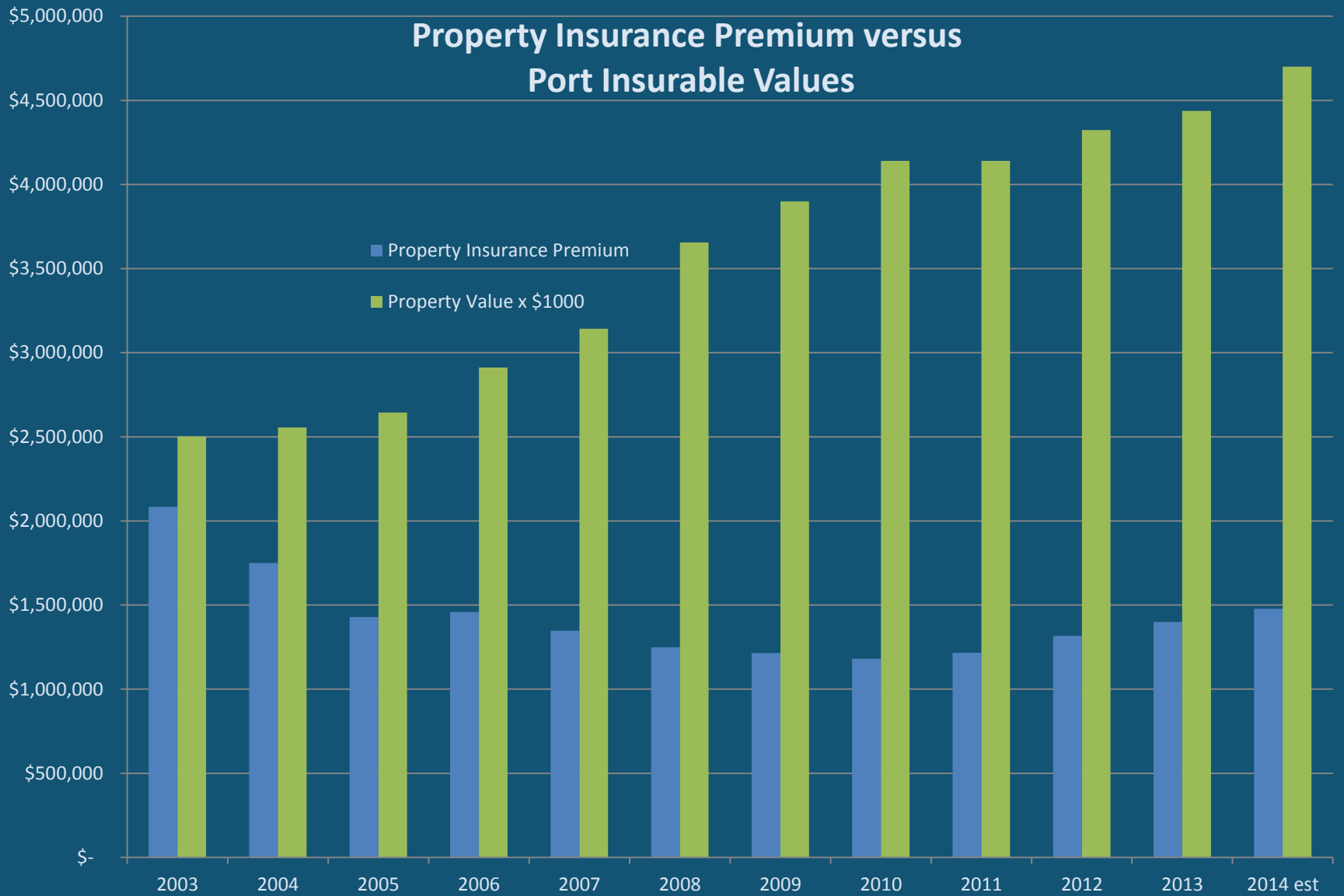
Current Structure of Property Program (Main Limits Insured Per Occurrence Unless Noted)

- \$750 Million Multi Peril Coverage Limit
- \$25 Million Flood Limit (Annual)
- \$50 Million Course of Construction Limit
- \$350 Million Terrorism
- \$100 Million Equipment Breakdown
- \$100 Million Business Interruption

Current Structure of Property Program (Major Deductibles Per Occurrence)

- \$500,000 Fire and Extended Coverage
- \$1,000,000 Flood
- \$50,000 Course of Construction
- \$25,000 Fine Arts
- \$1,000,000 Equipment Breakdown

Property Insurance Premium versus Port Insurable Values



Coverage Details

Annual Policy – July 1st through June 30th

- Fire and Extended Coverage
 - Wind, Spills, Collapse, Impact, and Explosion
- Covers Equipment Breakdown
 - Mechanical/Electrical Equipment
- Covers Owned, Leased, Rented Property
 - Example – Applied to leased generators
- Covers Business Interruption
 - If Due to a Loss Covered by the Policy

Coverage Details

Annual Policy – July 1st through June 30th

- Covers Flood
 - Excludes Land Movement/Earthquake
 - Covers Terrorism
 - Covers Projects Under Construction
- * All subject to exclusions either by peril, location, or type of property

Property Insurance Cost Factors

- Rates depend on:
 - Total Insurable Values Reported:
 - Appraisals
 - Values of Projects Under Construction
 - Loss Record
 - Primary and Reinsurance Markets
 - Underwriting of Locations (Port Portfolio)
 - Cost of Major Materials
 - Catastrophic Exposure (Wind, Earthquake, Flood)

Earthquake Insurance Challenges

- Low limits compared to values at risk
- Past loss history with Nisqually in 2001
- New modeling used by insurers
- Port has high insurable values
- Port has aggregation of values
- Insurers with aggregation of values locally
- Port did look and review pricing on a catastrophe bond; but pricing too costly



Property Renewal Forecast

(For July 1, 2014)

- Estimated renewal premium of \$1.51 Million
- Will bind coverage on June 30th
- Final proposal/cost will depend on:
 - Final adjustment of insured property values
 - Final estimation of capital projects for 2014-2015
 - Changes, if any, to program structure (deductibles/coverage/limits)
 - Negotiation with the underwriters