

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA

Item No. 5b

Date of Meeting May 12, 2009

DATE: April 22, 2009

TO: Tay Yoshitani, Chief Executive Officer

FROM: Jeff Hollingsworth, Risk Manager

SUBJECT: Insurance Brokering Services-Property and Casualty Insurance

ACTION REQUESTED:

Request authorization for the Chief Executive Officer to enter into an agreement with insurance brokerage firms for the purposes of procuring property and casualty insurance for the Port at an estimated cost of \$790,000 over a three year period. The selection of the brokerage firms will utilize a competitive process.

SYNOPSIS

The purpose of this memorandum is to notify Commission of the Port's intention to undergo a competitive broker selection process. The broker(s) will be used to procure property and liability insurance for the Port. Property insurance expires on June 30, 2009 and liability insurance expires on September 30, 2009. Upon selection of the broker(s), the Port will utilize the broker(s) to submit insurance marketing information, applications, and specifications to various insurance markets to solicit bids on insurance coverage. The broker will be licensed in accordance with RCW 48.17 and authorized to serve as a broker (agent) of the Port in these transactions. Premium payments for insurance will be paid directly to the broker who in turn will pay the insurance companies. The brokers will also provide on-going service throughout the policy year in other areas such as notice of claim submissions, issuing of bonds, policy reviews, endorsement issuance, insurance certificate issuance, and amending schedules of insured property as Port property assets are added (or deleted). The selected broker(s) will have the right to procure insurance for the Port in 2010 and 2011 at the Port's option. The Port's insurance renews annually.

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BACKGROUND

The Port has purchased property insurance through Alliant Services since 2005. The cost of the expiring property insurance is \$1.26 million and has averaged roughly \$1.4 million over the past five years. The premium includes annual broker servicing fees of roughly \$140,000 per year.

The Port currently purchases liability insurance annually through two brokers, Hugh Wood Incorporated and Tyrisco. The Port has used Hugh Wood Incorporated since 2006 and will have paid them \$215,000 in total servicing fees by October 1, 2009. The Port pays roughly \$650,000 of annual liability insurance premium to Hugh Wood Incorporated. The Port purchases its remaining liability insurance through Tyrisco. The Port pays Tyrisco roughly \$140,000 for the procurement of insurance and pays them roughly \$9,000 in service fees.

SCOPE OF WORK REQUESTED:

The Port wishes to competitively bid for broker services for the purposes of procuring property insurance by July 1, 2009 and liability insurance by October 1, 2009. A request for proposal will be issued from which the Port will select one or more brokers. The Port's liability insurance coverage's will be broken out in pieces to allow small businesses to participate in the selection process.

The services the broker(s) will provide include:

- a. Submission of marketing specifications to various insurance markets for the purposes of soliciting quotes on coverage from qualified and financially solvent insurance markets.
- b. The execution all insurance purchase transactions in both the admitted and surplus markets. Premiums will be paid to the broker who in turn pays the respective insurance companies.
- c. Serve as the Port's insurance broker of record. Insurance transactions have to be done by licensed and bonded brokers or agents as defined in the Revised Code Washington.
- d. Issue any endorsements, bonds, insurance certificates, and notices of claim.
- e. Monitor the financial solvency of insurance companies at the Port and replace carriers as needed.
- f. Provide property insurance supports services such as loss control, valuation, and underwriting studies.

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- g. Review new contracts upon request in which the Port is being asked to indemnify and insure the other party to the agreement.

FINANCIAL IMPLICATIONS

The estimated cost of the insurance and associated servicing fees are as follows:

- a. July 1, 2009 – Property insurance at \$1.5 million with \$160,000 for service fees.
- b. October 1, 2009 – Liability insurance at \$850,000 with \$100,000 for service fees
- c. July 1, 2010 - Property insurance at \$1.6 million with \$160,000 for service fees.
- d. October 1, 2010 - Liability insurance at \$850,000 with \$100,000 for service fees
- e. July 1, 2011 - Property insurance at \$1.8 million with \$170,000 for service fees.
- f. October 1, 2011 - Liability insurance at \$950,000 with \$100,000 for service fees

The procurement of insurance for the three years is estimated at \$7.55 million for the combined property and casualty coverage with an estimated additional \$790,000 for broker services.

PREVIOUS COMMISSION ACTION

None as insurance services were exempt from commission approval under prior Port Policy PUR-2. The commission received updates on the Port's insurance program, including cost of coverage in 2008 and 2007.