

ITEM NO: 7c Supp

DATE OF

MEETING: 6/23/2009

Property Insurance Renewal Update

Presented 6/23/2009

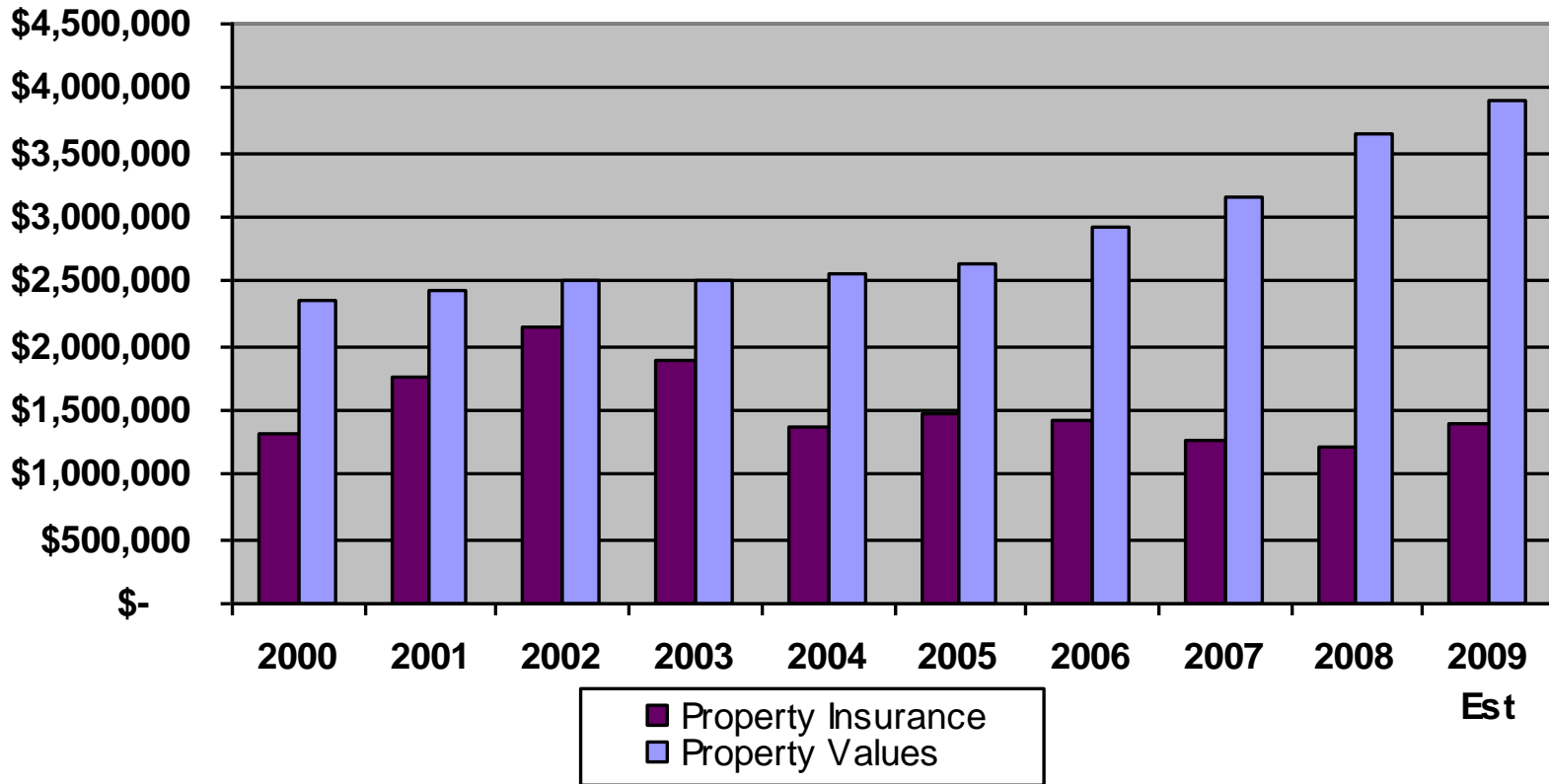
Jeff Hollingsworth, Risk Manager

Outline

- Property Insurance Program Recap
- Structure of Property Insurance
- Property Insurance Cost Factors
- Property Insurance Challenges
- Earthquake Insurance Discussion
- Renewal Projection for July 1, 2009

Property Insurance Cost Re-Cap

Excludes Nisqually Quake Costs
Property Values X \$1000



Property Insurance Coverage

(No Fault Coverage – Coverage is Annual)

- Fire and Extended Coverage
 - Fire, Wind, Collapse, Impact, Explosion
- Terrorism – Separate Limit
- Construction in Process – Separate Limit
- Rental Car Facility – Separate Builder Risk Policy
 - Insured for full value of the constructed value
 - Coverage in place during work stoppage

Current Structure of Property Program

(Major Deductibles)

- \$1 Million Fire and Extended Coverage
- \$50,000 Course of Construction
- \$25,000 Fine Arts
- \$100,000 Equipment Breakdown

Current Structure of Property Program

(Main Limits Insured)

- \$1 Billion Fire/Extended Coverage Limit;
- No Earthquake
- \$25 Million Flood Limit
- \$50M Course of Construction Limit
- \$350K Terrorism
- \$100 Million Equipment Breakdown
- \$100 Million Business Interruption

Underwriting of Program

- First \$25 Million with Lexington
- Excess coverage with various Lloyds Syndicates
- A+++ Rating
- Procured by Alliant Insurance and RK Harrison (London broker)

Property Insurance Cost Factors

- Rates depend on:
 - Total insurable values reported:
 - 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)

Major Property Losses

(Losses Excluding Earthquake and Environmental)

- Aviation (1993-2009)

- 2006 Terminal, spill~ \$150K

Total Property Damage-Net of Collections

2005 Losses = \$150,000 Recovery = \$108,000

2006 Losses = \$341,000 Recovery = \$160,000

2007 Losses = \$134,000 Recovery = \$113,000

2008 Losses = \$150,000 Recovery = \$104,000

2009 Losses = \$8,000 Recovery = \$4,000

Collection Recovery ~ 74%

Excludes T-86 Spout Losses

- Non-Aviation (1993-2009)

- 1993 T-86, fire~\$1M

- 1997 T-18, crane~\$.7M

- 2002 T-86, spout~\$.6M

- 2004, FT, water~\$.18M

- 2006 T-86, spout~ \$TBD

- 2007 T-86, spout~ \$TBD

Earthquake Insurance Challenges

- Available coverage limited
- Reinsurance markets capacity limited
- Past loss history with Nisqually
- Port has high insurable values
- Port has aggregation of values around Seaport and the Airport
- Big exposure to Port is at loss levels above \$100 Million
- Limits on coverage is typically \$100 Million

Earthquake Insurance Options

Based on Costing from November, 2009

Coverage Limit	Deductible	Location	Value	Premium
\$40 Million	3% of Value	Pier 69 Building	\$40 Million	\$60,000
\$25 Million	\$25 Million	Any Port property	Applies to all Port values	\$250,000
\$25 Million	\$50 Million	Any Port property	Applies to all Port values	\$125,000
\$25 Million	\$75 Million	Any Port property	Applies to all Port values	\$112,500
\$75 Million	\$25 Million	Any Port property	Applies to all Port values	\$487,500
\$75 Million	\$100 Million	Any Port property	Applies to all Port values	\$275,000

Current Capital Projects

- Construction property insurance rolled up into main insurance program
 - Capital values for Non-Aviation ~ \$ 91 Million*
 - Capital values for Airport ~ \$124 Million*
 - Excludes Rental Car Facility
- Rental Car Facility
 - Port has a separate policy for this project
 - Insured to \$280 Million
 - Covers Port and its contractors

* As of May 2009 (will be updated prior to renewal)

Property Renewal Forecast*

July 1, 2008

- Port has budgeted \$1.35 Million for renewal
- Renewal range estimated to be between \$1.2 Million and \$1.3 Million with no changes to overall structure, including deductibles.
 - **Renewed on July 1, 2008 at a premium of \$1,213,332**
- Risk Management will evaluate options if offered for:
 - Terrorism and Earthquake
 - **No earthquake coverage purchased.**
 - Other program changes such as deductibles
 - **Minor changes including lower deductible for Fine Arts/Exhibits**
- Risk Management to discuss/brief Divisions prior to binding including final property schedule.

*
From Commission Meeting of June 3, 2008

Property Renewal Forecast

July 1, 2009

- Port has budgeted \$1.4 Million for renewal
 - Market still has lower pricing;
 - Increase is due to higher completed values and trend adjustment
 - Includes T-91, T-30, and Miscellaneous airport projects
- Renewal range estimated to be between \$1.3 Million to \$1.5 Million;
 - With no changes made to overall structure, including deductibles.
- Risk Management will evaluate options for:
 - Earthquake
 - To evaluate options for coverage for Pier 69 Building
 - To evaluate options for crane coverage and loss of income.