

ITEM NO: 7c_Supp

DATE OF

MEETING: 6/22/2010

Property Insurance Renewal Update

Presented 6/22/2010

Jeff Hollingsworth, Risk Manager

Outline

- Property Insurance Program Recap
- Structure of Property Insurance
- Property Insurance Cost Factors
- Property Insurance Challenges
- Insurance for Capital Projects
- Renewal Projection for July 1, 2010

Current Structure of Property Program

(Major Deductibles Per Occurrence)

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

Current Structure of Property Program

(Main Limits Insured Per Occurrence Unless Noted)

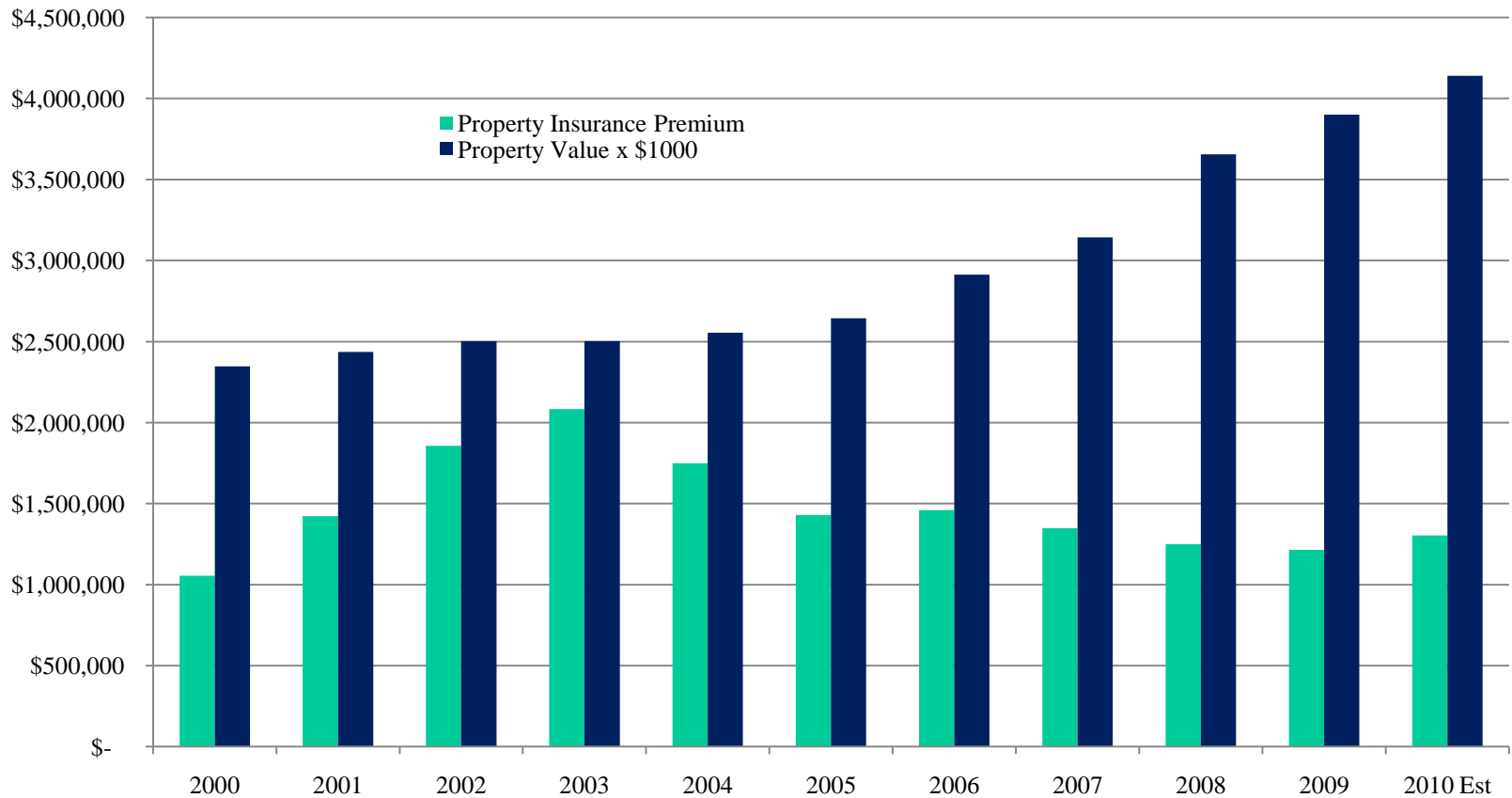
- \$1 Billion Fire/Extended Coverage Limit;
- \$25 Million Flood Limit (Annual)
- \$50Million Course of Construction Limit
- \$350 Million Terrorism
- \$100 Million Equipment Breakdown
- \$100 Million Business Interruption

Current Structure of Property Program

- First \$25 Million with Lexington (Chartis)
- Excess coverage with various Lloyds Syndicates
- A⁺⁺⁺ Rating
- Procured by Alliant Insurance

Property Insurance Cost Re-Cap

2010 Estimate Assumes No Purchase of Earthquake Insurance



Property Insurance Coverage

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

Property Insurance Coverage

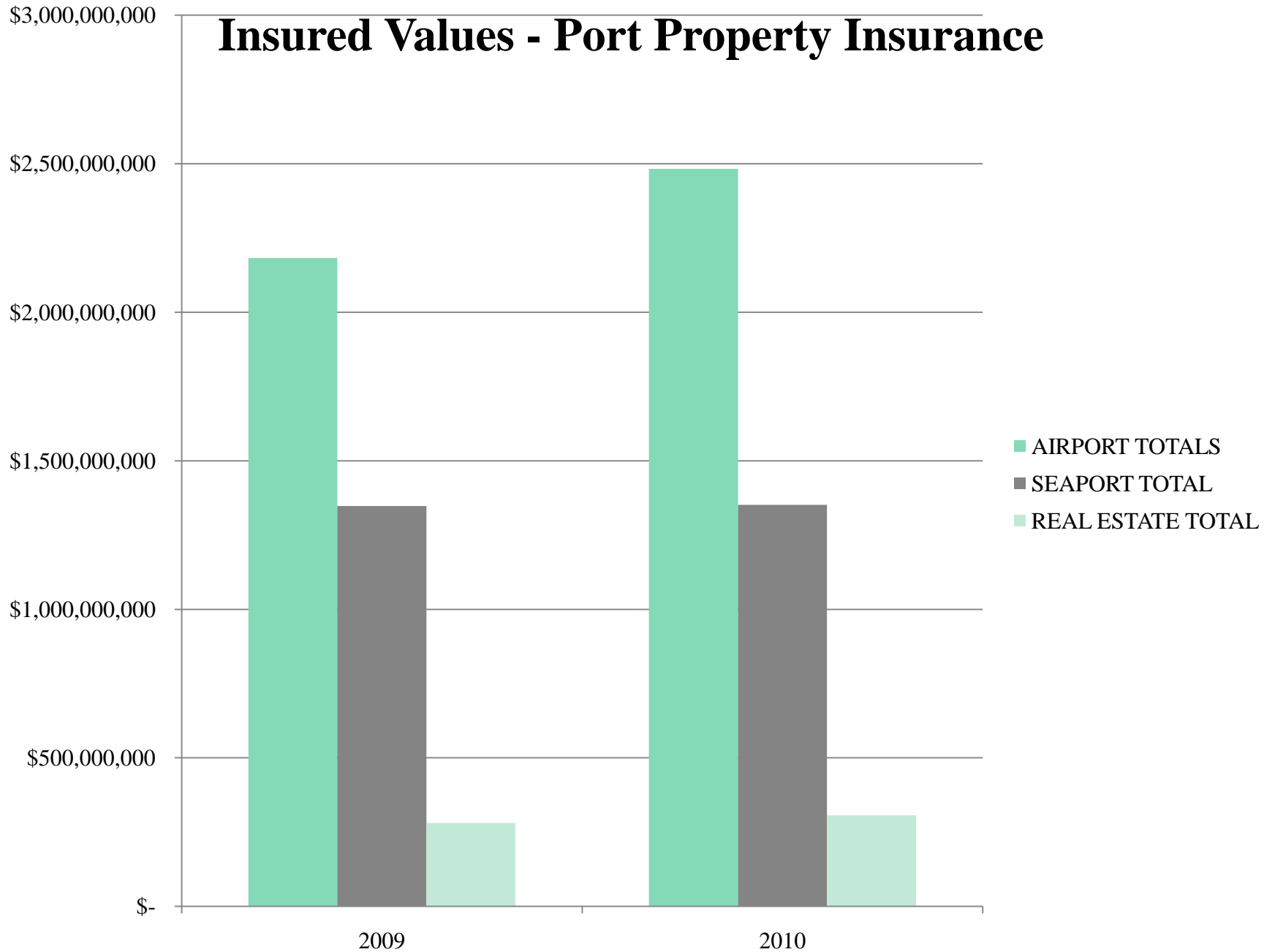
Annual Policy – July 1st through June 30th

- 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:
 - 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)

Insured Values - Port Property Insurance



Aviation Property Losses

Total Property Damage-Net of Collections

2005 Losses = \$140,000

Recovery = \$104,000

2006 Losses = \$280,000

Recovery = \$115,000

2007 Losses = \$94,000

Recovery = \$87,000

2008 Losses = \$113,000

Recovery = \$96,000

2009 Losses = \$34,000

Recovery = \$18,000

2010 Losses = \$19,000

Recovery = \$9,000

Collection Recovery ~ 63%

Non-Aviation Property Losses

Total Property Damage-Net of Collections

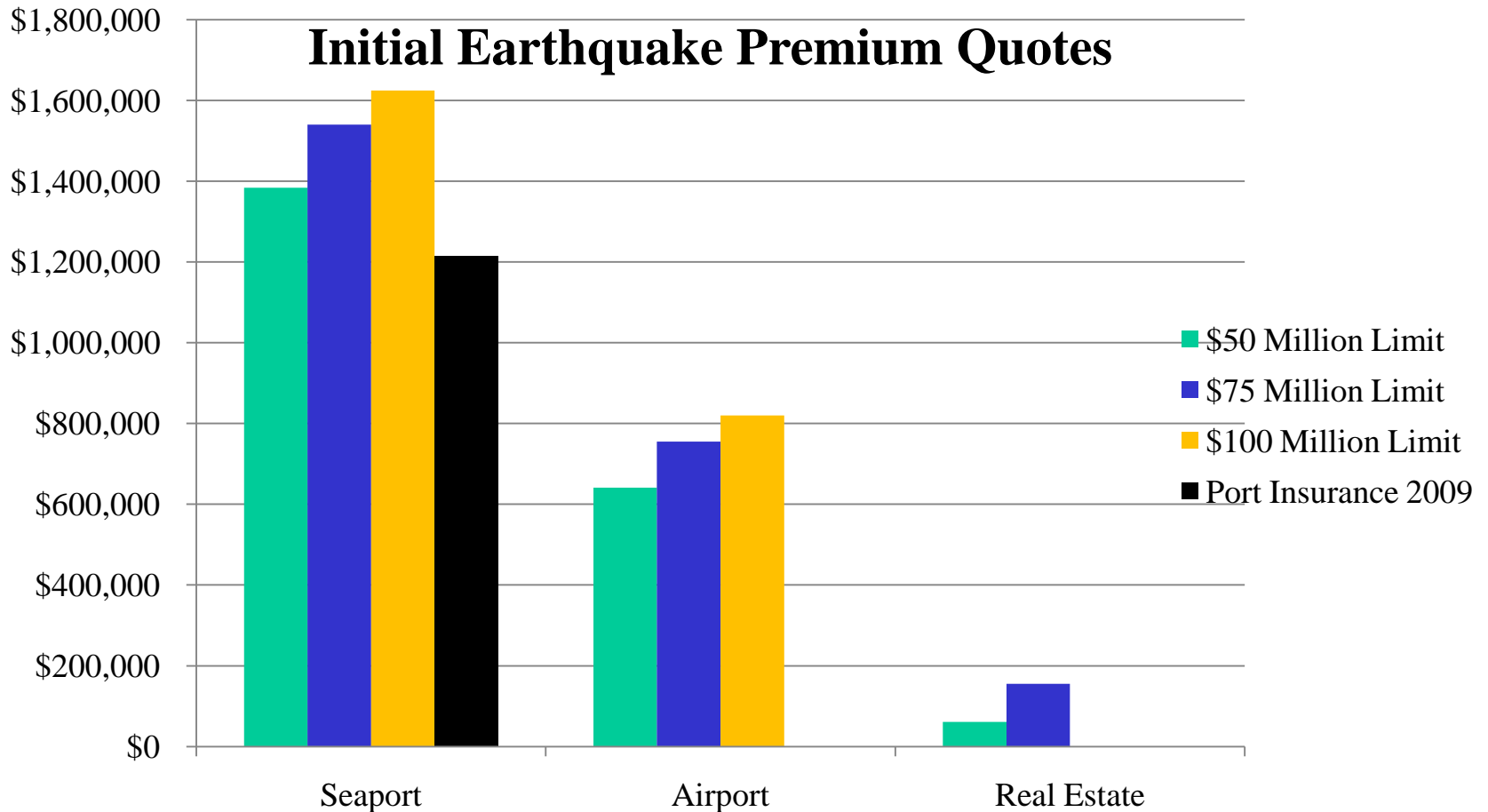
2005 Losses = \$9,000	Recovery = \$3,500
2006 Losses = \$61,000	Recovery = \$45,000
2007 Losses = \$42,000	Recovery = \$26,000
2008 Losses = \$67,000	Recovery = \$33,000
2009 Losses > \$1,000	
2010 Losses > \$1,000	

Collection Recovery ~ 60%

Excludes T-86 Spout Losses in 2006 and 2007

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



Notes: Airport coverage is for AOB and Parking Garage Only
 Seaport is for Container Terminals, Cranes, and Cruise Only
 Real Estate is for Pier 69 Facility Only (Building Only and Building/Pilings)

Capital Projects

- Insurance Provided :
 - Coverage For Projects less than \$50 Million in Value
 - Aviation Capital Costs ~ \$ 70 Million*
 - Non-Aviation Capital Costs ~ \$40 Million * *
 - Deductible of \$50,000
 - Includes interests of contractors
- Rental Car Facility
 - Port has a separate policy for this project
 - Insured to \$280 Million including earthquake
- East Marginal Grade Separation Project
 - Port has a separate policy for this project
 - Insured to \$20 Million including earthquake

* Excludes Rental Car Facility

** Excludes East Marginal Way Grade Separation

Property Renewal Forecast

July 1, 2010

- Port has budgeted \$1.4 Million for renewal – will depend on:
 - Final rate offered to Port;
 - Final property values used for renewal;
 - Final list of capital projects under construction during policy year;
- Renewal range estimated to be between \$1.3 Million to \$1.4 Million;
 - With no major changes to overall structure, including deductibles.
 - No purchase of earthquake coverage/FEMA still a source of funds
 - Reviewing this issue the Divisions