

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

**COMMISSION AGENDA**

**Item No.** 5b  
**Date of Meeting** August 2, 2011

**DATE:** July 26, 2011

**TO:** Tay Yoshitani, Chief Executive Officer

**FROM:** Jeff Hollingsworth, Risk Manager

**SUBJECT:** Insurance Brokering Services - Property Insurance Program

**Amount of This Request:** \$550,000      **Source of Funds:** General Funds

**ACTION REQUESTED:**

Request Port Commission authorization for the Chief Executive Officer (CEO) to execute a contract with an insurance brokerage firm for the purpose of procuring property insurance for the Port over a three-year period with two one-year extension options. The procurement of property broker services insurance for the three years plus the two one-year renewal options is estimated at \$550,000. The selection of the brokerage firms will utilize a competitive process.

**SYNOPSIS:**

The purpose of this memorandum is to obtain Commission authorization for the CEO to execute a contract for insurance brokerage services to assist the Port in the purchase of property insurance services. The current property insurance for the Port expires on June 30, 2012. Upon selection of the broker, the Port will utilize the broker to submit insurance marketing information, applications, and specifications to various insurance markets to solicit bids on property 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 broker will also provide on-going service throughout the policy year in other areas such as notice of claim submissions, claim evaluation and consulting, property loss prevention, valuation services, coverage reviews, endorsement issuance, and insurance certificate issuance. The scope of work will be in effect in 2012 through 2015 with two additional one-year extension options for 2016 and 2017 (insurance to expire on June 30, 2017). The Port's property insurance renews annually and is purchased prior to or no later than July 1 for the ensuing 12 months.

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### **BACKGROUND:**

The Port is currently using Alliant Services for the purchase of property insurance (through June 30, 2012). The cost of the expiring 12-month property insurance premium is roughly \$1,300,000.

### **SCOPE OF WORK REQUESTED:**

The Port will competitively procure the broker services for procuring property insurance, which includes coverage for business interruption and equipment breakdown coverage.

The services the broker(s) will provide include:

- a. The utilization of a qualified small business, minority-owned business, or disadvantaged business enterprise is being evaluated. If there are small-business opportunities available, they will be included in the process.
- b. Submission of marketing specifications to various insurance markets for the purposes of soliciting quotes on coverage from qualified and financially solvent insurance markets.
- c. Evaluation of alternative risk financing possibilities in lieu of standard property coverage.
- d. The execution of 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.
- e. Serving 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.
- f. Issuance of any endorsements, bonds, insurance certificates, and notices of claim.
- g. Monitoring the financial solvency of insurance companies providing coverage for the Port and replacing carriers as needed. Identification and evaluation of new insurance carriers who are proposing on Port business.
- h. Providing insurance support services in the area of loss control, valuation of property, and underwriting studies.

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### **FINANCIAL IMPLICATIONS:**

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

- a. July 1, 2012 - Property insurance at \$1,500,000 with \$110,000 for service fees
- b. July 1, 2013 - Property insurance at \$1,550,000 with \$110,000 for service fees
- c. July 1, 2014 - Property insurance at \$1,550,000 with \$110,000 for service fees

Option to Extend – Two One-Year Terms

- d. July 1, 2015 - Property insurance at \$1,600,000 with \$110,000 for service fees
- e. July 1, 2016 - Property insurance at \$1,700,000 with \$110,000 for service fees

The request for authorization is only for the broker service fees and not for purchase of insurance. The purchase of insurance is delegated to the CEO under Resolution No. 3605, as amended, and does not require additional approval.

### **PREVIOUS COMMISSION ACTION:**

None.