

ITEM NO: 7b\_Supp

DATE OF

MEETING: 6/28/2011



# Property Insurance Renewal Update

Presented 6/28/2011

Jeff Hollingsworth, Risk Manager

# Outline

- Property Insurance Program Recap
- Structure of Property Insurance
- Property Insurance Cost Factors
- Insurance for Capital Projects
- Property Insurance Challenges
- Renewal Projection for July 1, 2011

# Current Structure of Property Program

(Major Deductibles Per Occurrence)

- \$500,000 Million Fire and Extended Coverage
- \$500,000 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)

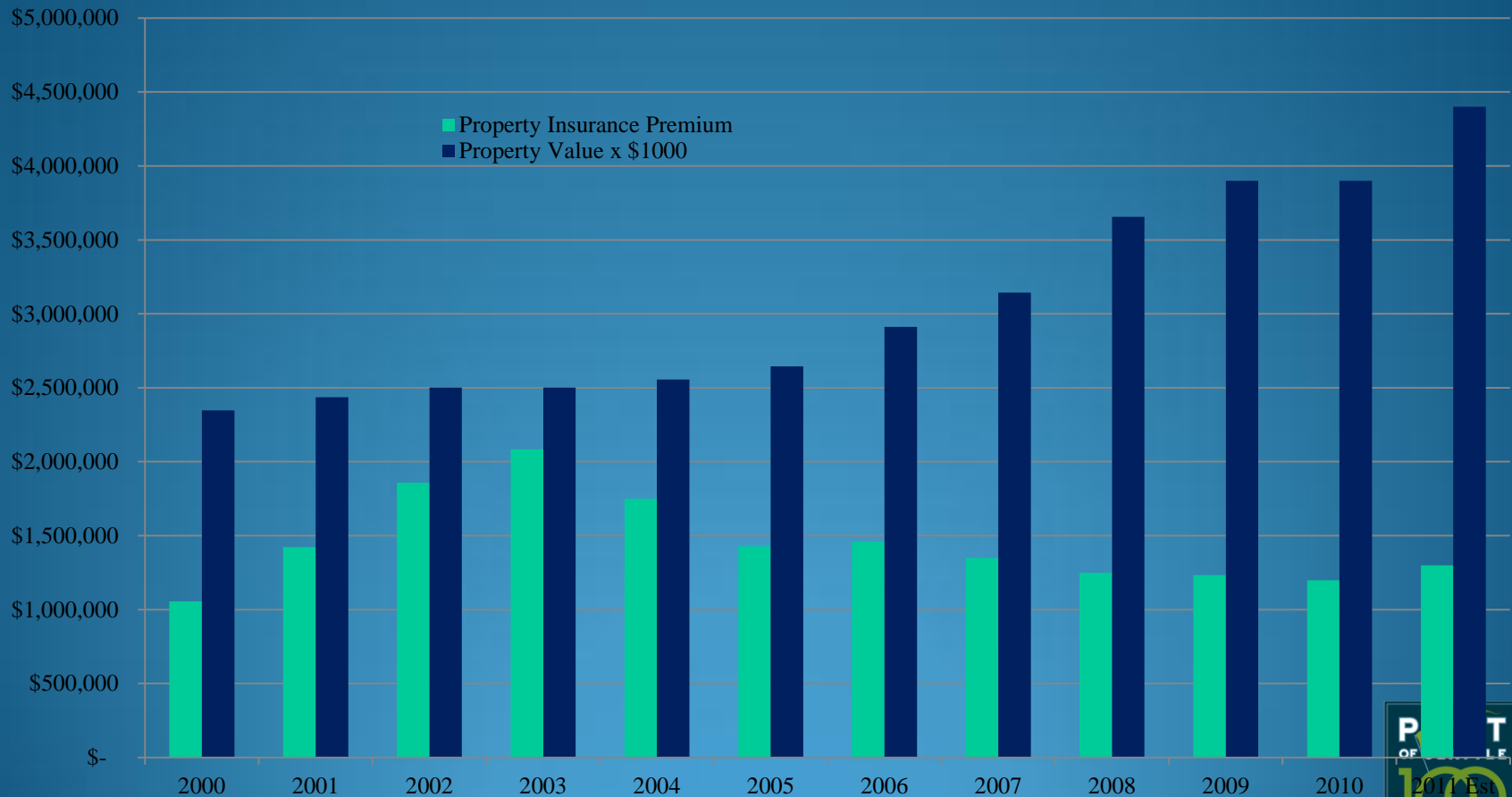
- \$1 Billion Fire/Extended Coverage Limit;
- \$25 Million Flood Limit (Annual)
- \$50 Million Course of Construction Limit
- \$350 Million Terrorism
- \$100 Million Equipment Breakdown
- \$100 Million Business Interruption

# 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

2011 Estimate



# Property Insurance Coverage

Annual Policy – July 1<sup>st</sup> 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 1<sup>st</sup> 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 (Done 2010 and 2011)
  - 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 )

# Aviation Property Losses

## Total Property Damage-

2005 Losses = \$140,000

2006 Losses = \$280,000

2007 Losses = \$94,000

2008 Losses = \$113,000

2009 Losses = \$34,000

2010 Losses = \$72,000

2011 Losses = 12,000

Collection Recovery ~ 64%

## Collections

Recovery = \$104,000

Recovery = \$115,000

Recovery = \$87,000

Recovery = \$96,000

Recovery = \$18,000

Recovery = \$45,000

Recovery = \$11,000

# Non-Aviation Property Losses

- | <u>Total Property Damage</u>    | <u>Collections</u>  |
|---------------------------------|---------------------|
| 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 < \$2,000           |                     |
| 2011 Losses – None Year To Date |                     |

Collection Recovery ~ 60%

Excludes T-86 Spout Losses in 2006 and 2007

# Insurance for Capital Projects

- Insurance Provided :
  - Coverage For Projects less than \$50 Million in Value
    - Aviation Capital Current Values ~ \$ 88 Million\*
    - Non-Aviation Capital Costs ~ \$24 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

\*\*\*Will be on Port's main property insurance schedule upon completion

# Earthquake Insurance Challenges

- Low limits compared to values at risk
- Past loss history with Nisqually in 2001
- Less capacity due to 2010-2011 events
- New modeling used by insurers
- Port has high insurable values
- Port has aggregation of values
- Insurers with aggregation of values

Port is not having coverage quoted.

# Property Renewal Forecast

July 1, 2011

- Port has budgeted \$1.35 Million for renewal – Final proposal will depend on:
  - Final rate offered to Port per \$100 of insured value;
  - Final property values used for renewal to include 2010 appraisals
  - Final estimation of capital projects for 2011-2012;
  - Will increase due to Rental Car Facility
- Renewal range estimated to be between \$1.3 Million to \$1.4 Million;
  - If no major changes to program structure (deductibles/coverage)
  - No purchase of earthquake coverage/FEMA still a source of funds