

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA
STAFF BRIEFING

Item No. 7b

Date of Meeting September 11, 2012

DATE: September 4, 2012
TO: Tay Yoshitani, Chief Executive Officer
FROM: Jeff Hollingsworth, Risk Manager
SUBJECT: Briefing on the Port Liability Insurance Renewal for the Policy Year beginning on October 1, 2012

SYNOPSIS:

This briefing is on the upcoming Port's liability insurance renewal. The Port's current liability insurance program expires on September 30, 2012. The Port is in the process of finalizing the purchase of this coverage for the policy year starting on October 1, 2012, and expiring on September 30, 2013.

BACKGROUND:

The Commission presentation will focus around the issues of renewing the insurance liability program. The primary insurance policies to be renewed include the airport operators general liability, the non-aviation general liability, police professional liability, public official's liability, fiduciary liability, and employee dishonesty (crime) policies. The renewal process includes updating the Port underwriters on current and forecast finances, the operating budget, current and ongoing operations, and on-going and new claims. The Port uses an insurance broker (Alliant) to help collect and aggregate the renewal data and then submit the data to incumbent and prospective insurance carriers to obtain quotes for the renewal.

Additional factors to those mentioned above include the strength of the Port's indemnity agreements with its lessees, prime tenants, and contractors as well as those in personal and professional service agreements. The distinction between operations the Port controls and runs itself versus what the Port's tenants do is also a factor. The number and magnitude of current and recently closed claims is also part of the underwriting review. Examples of Port operations (that the Port manages) that the underwriters will review closely include the new rental car busing operation, our marina operations, and Airport parking. In renewing the Port's employee dishonesty insurance, the Port will review the annual audit memo/findings on the Port's financial statements and internal controls.

The current state of the insurance markets also dictates the type of pricing that the Port will obtain on its renewal. Certain areas such as general liability have remained fairly flat, while areas such as errors and omissions, directors/officers, and public official's

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liability have had market increases compared to a year ago. The Port self-insures auto liability for the first million but then insures auto (to include all Port vehicle operations) through excess coverage up to \$50 million. Thus, the size and use of the Port's fleet has a direct impact on the cost for this coverage.

Each policy's specific deductible and the limit of the policy will also impact the cost of coverage. In general, higher deductibles and lower limits will result in lower premium costs. Adding on non-standard coverage such as for terrorism liability will add to the cost of the policy.

Areas that the underwriters are focusing on for this renewal include overall limits at the Airport, the rental car facility busing operation, the ramp control tower at the Airport, and the anticipated amount of rail operations on the Eastside Rail Corridor.

Risk Management will review quotes our broker provides and then consider options to limit or enhance coverage. The goal is to minimize cost increases but at the same time not under-insure critical operations. Risk Management will review options with division budget and finance to get their input prior to binding coverage on September 30th.

The insurance renewed on September 30, 2011, at a cost of \$776,000. The renewal cost for September 30, 2012, is anticipated to be between \$780,000 and \$800,000.

OTHER DOCUMENTS ASSOCIATED WITH THIS BRIEFING:

- PowerPoint presentation

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS:

- None