Port Finance Seminar
June 11, 2008
Insurance Update

AAPA - American Association of Port Authorities
Speakers

Moderator:
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Panel:
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Agenda

A. Business Continuity Planning (BCP)
B. Market Update
C. Catastrophe Funding
D. Modeling
Business Continuity Planning

Why Is It Important?
Goals of Business Continuity

• Expedite reconstruction of critical physical assets and infrastructure
• Create financial plan thus facilitating execution of recovery
• Minimize impact to revenue producing business units
• Shows confidence to work force and company cares
• Maintains faith of critical suppliers and buyers
• Have a plan to deal with environmental contamination
• Protect reputation and image with media
• Ensure regulatory compliance
• Display good corporate governance
• Inter-Port Agreements
Basic Steps to BCP

1. Develop objectives
2. Develop roles and processes
3. Test the plan
Stakeholders in BCP

- HazMat
- Rescue
- Risk Management
- Health/Safety
- Business Units
- Property Conservation
- Security
- Fire Fighting

Business Continuity Planning Function
Insurance Market Update

• Soft Market vs. Hard Market – Where are we today
  – Casualty
  – Property
• Market Pyramid
  – Primary
  – Excess
  – Reinsurance
• Catastrophic Events and how they effect the marketplace and your premiums and coverage
  – Past
  – Present
  – Future
• TRIA/Terrorism
Catastrophe Funding

• Self Funding Mechanisms
  – Risk Assessment
  – PML Identification
  – Contractual Transfer
  – “Rainy Day” Funds

• Governmental Programs
  – NFIP
  – State Wind Pools
  – FEMA
  – TRIA/TRIPRA
  – Development of possible Federal Catastrophic Funding Programs

• Business Continuity Planning
  – Loss mitigation
Modeling

• **Benchmarking Data**
  – Historical
  – Changes after the 2005 Hurricane Season
  – Good data vs. Bad data

• **United States vs. Global**

• **Property and Business Interruption**
  – Major Deficiencies
  – Incomplete and out of date submissions

• **Major Purchaser of Modeling software – Insurance Companies**
  – Costly
  – Difficult to obtain survey information from carriers
  – Help in determining Catastrophic PML for clients

• **Earthquake Modeling has yet to be really tested.**
Introduction to Catastrophe Modeling
EQECAT MODEL COMPONENTS
Data Quality vs Uncertainty

Increasing Quality of Data

- Premium by country, etc.
- Occupancy (Residential, Commercial)
- Premium or TSI
- TSI Risk
- TSI, value, limits, etc.
- Value, limits, ded., etc.
- Material, age, height, engineering report, ext.
- Standard Structural Classification
- Detailed Occupancy Codes
- Postal Code
- Specific address
- Address, Log/Lat, etc.
- Location

Decreasing Uncertainty

- Location
- Structural
- Insurance