

PRESENTATION TO:

# Port of Everett

## State of Property Market & Liability Update



PRESENTED BY:

ALLIANT INSURANCE SERVICES, INC.

April 6, 2021



 **Alliant**



# Introduction

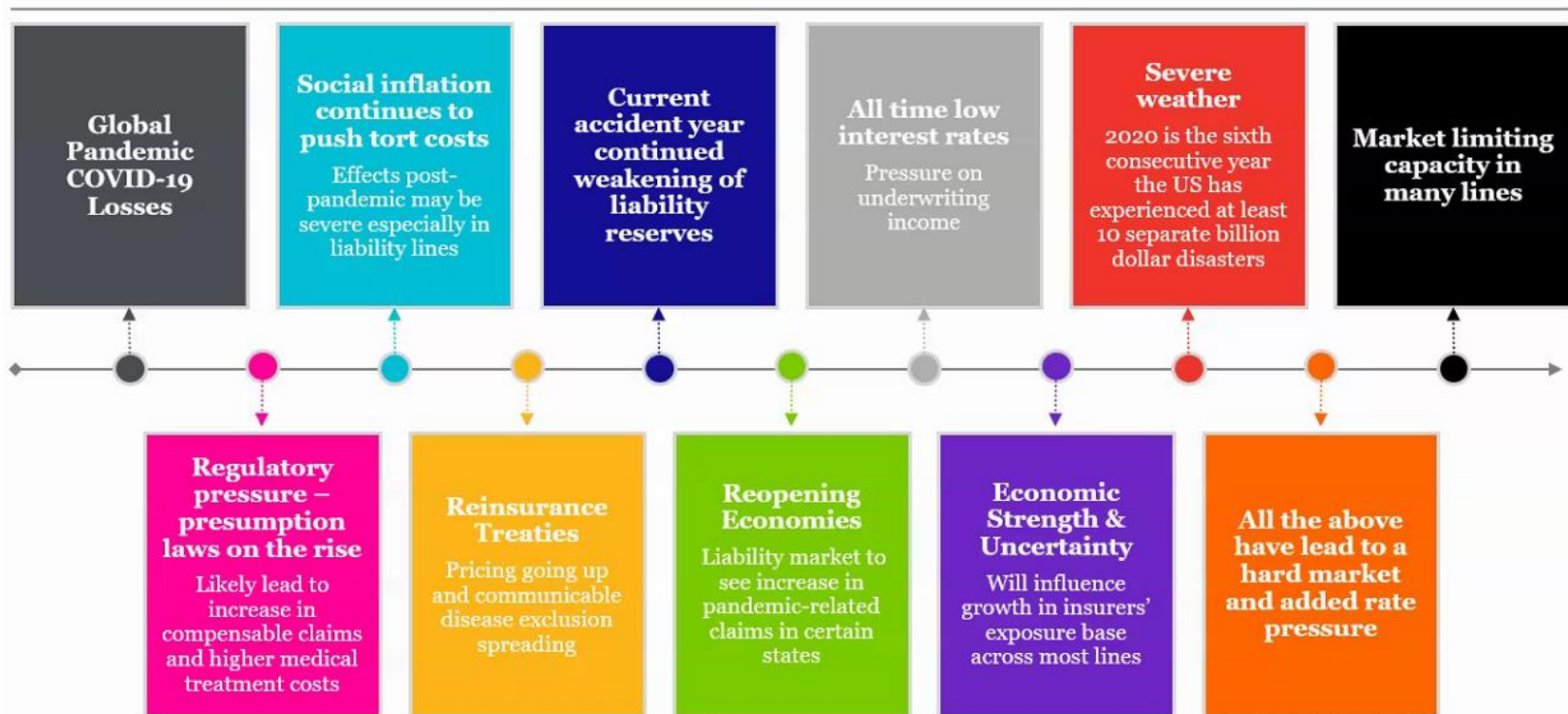
- The Insurance Marketplace has changed dramatically. This is a worldwide phenomenon. There is no segment of the insurance market that is not affected by the demand for rate increases. We will focus on the 'Why's' of this market correction in this presentation.
- The Port of Everett is part of a group of Ports that was formed in the mid-1990's. This group purchases insurance together in order to bring a strength and buying power into the insurance marketplace. In the good times, it allows us to control premiums and negotiate coverage extensions. In the bad times, the group provides a buffer against market forces.
- The major lines of insurance coverage (Property and Casualty) are all broadly syndicated across many insurance companies to make sure that no one insurer can dictate terms.
- We market ALL major lines of insurance every year. We access the world insurance market.
- We work with virtually every major port on the West Coast. This is important to the Port of Everett because we know and understand insurance trends that can directly affect you.



# Alliant and Ports



# What has changed in the recent past?



Source: Chubb Ins. Group

# Insurance Market Conditions: Outlook for 2021

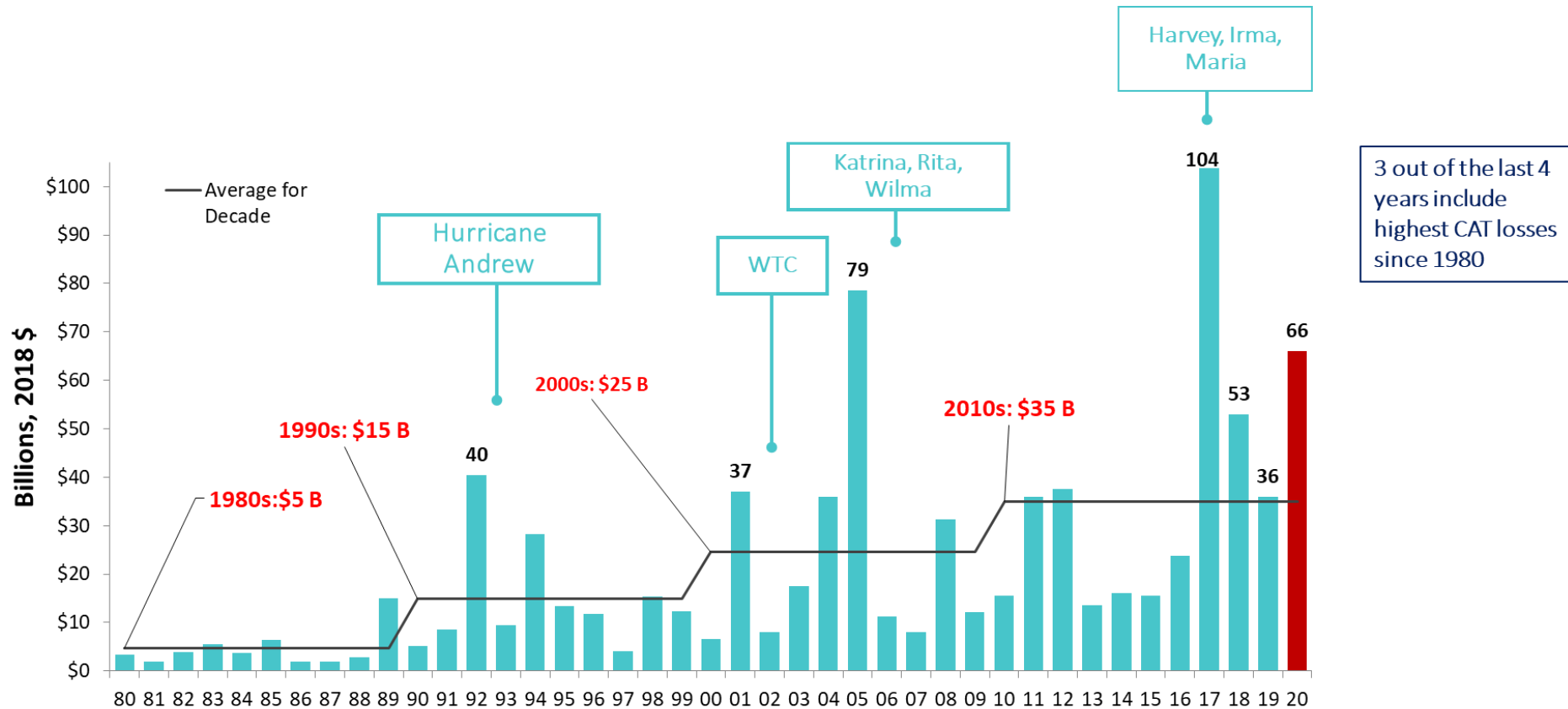
## Market Conditions remain Challenging

- Swiss Re Institute estimates USD 83 billion global insured catastrophe losses in 2020, the fifth-costliest on record. The insurance industry covered 45% of global economic losses in 2020, above the ten-year-average of 37%. According to Aon Benfield's Reinsurance Market Outlook – January, 2021, **US insured catastrophic losses in 2020 were \$66 billion.**
- **U.S. Wildfires, Storms, Civil Disorders and 'Social Inflation' have created intense pressure** on insurers in North America, causing insured losses in the billions, and while COVID -19 has of course added new types of losses to the mix, more so, it has created additional uncertainty which is adding to an already difficult insurance marketplace.



# Insurance Market Conditions: Historical Cat Losses

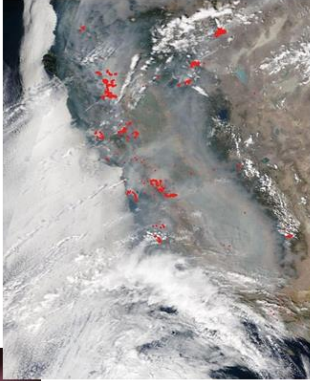
## Property: U.S. Inflation-Adjusted Insured Cat Losses



**2020 – Third costliest worst year for U.S. Insured Catastrophe Losses – Source: Aon Benfield**

# Factors Impacting the Property Market

## Convective Storms



Commonly known as *thunderstorms*, intense heating causes a parcel of moist air to rise from the earth's surface into upper levels of the atmosphere, causing weather hazards such as **lightning, heavy rain, hail, flash flooding and tornadoes.**

This past August, lightning strikes (12,000) from storms like these sparked hundreds of wildfires in California.

The same month a *derecho* hit Iowa and four other states, causing \$7.5B+ in damage, *most costly thunderstorm in U.S. History.*

# Factors Impacting the Property Market

## Wildfires



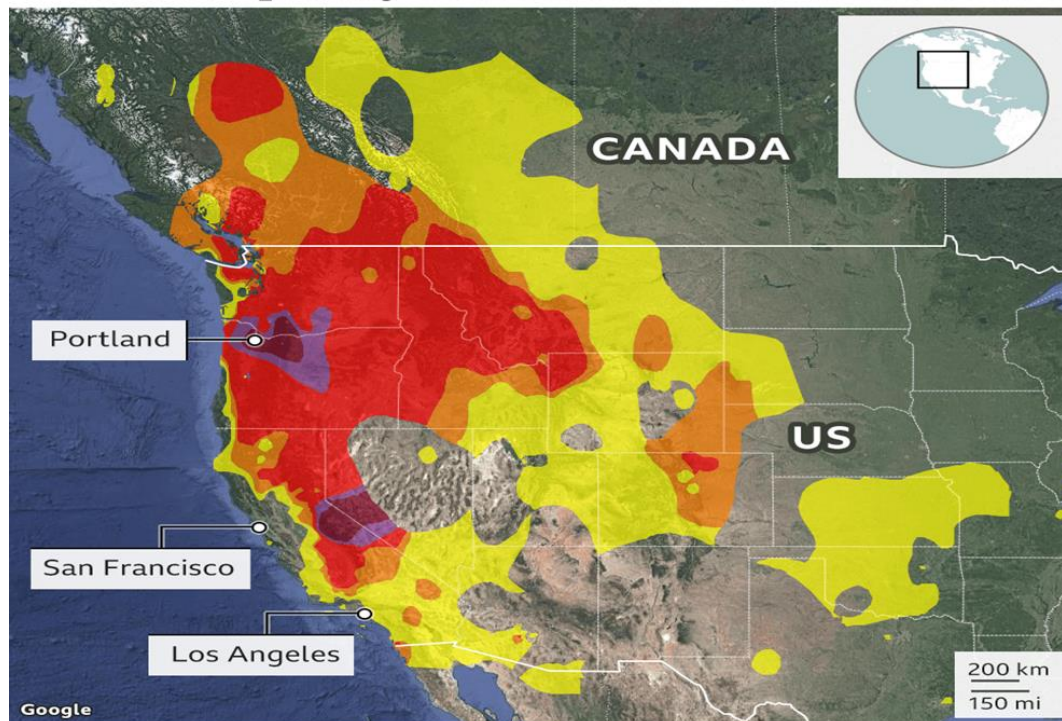
The 2020 season was a record-setting one for the state of California and the United States as a whole. NIFC reported that as of Nov. 27 there were 52,113 wildfires that had burned 8,889,297 acres in 2020. This is approximately 2.3 million more acres burned than the 10-year average and almost double the acreage burned in the 2019 season.



# Factors Impacting the Property Market

## Wildfires

Worst air quality on record for US West Coast



Air Quality Index: levels of pollution including particulate matter

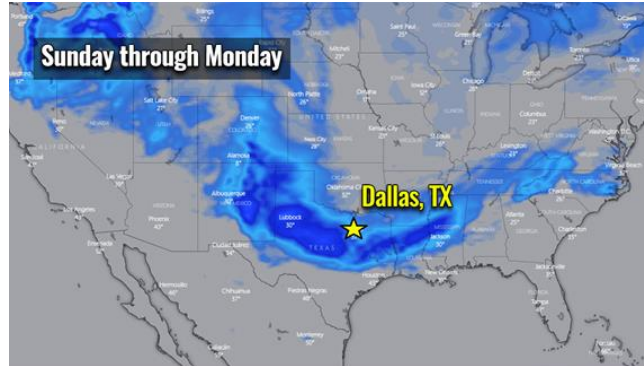
- Moderate 51-100
- Unhealthy for sensitive groups 101-150
- Unhealthy 151 - 200
- Very unhealthy 201-300
- Hazardous 300 -500

Source: AirNow

BBC

# Factors Impacting the Property Market

## Texas 2021 Winter Storm



- Karen Clark & Co, a software modeling firm which helps insurers predict catastrophe losses, estimates an \$18 Billion insurable loss.
  - Burst pipes, water damage, collapsed roofs
- Appears to be most a primary insurer loss; not a reinsurance event.
- Liability claims TBD – in all likelihood a large casualty loss for the industry as well.

# 7/1 Property Renewal Impacts From Continued Stress

## Still a Hard Market

- Trended values are also driving cost upward to keep pace with Replacement Cost valuations.
- Widespread impact across all major industry segments.
- Reinsurance increases rose at the largest overall pace in over a decade (Howden Insurance Brokers Ltd. / Business Insurance)
- Capacity restrained due to continued shifting in underwriting appetites from major Insurers
- While some new capacity has entered, it is not sufficient to move the market



# Port of Everett – Historical Loss Review

| Policy Year                        | # of Claims | Loss Amounts       |                           | Total Property Insurance Cost<br>(Premium, Taxes and Fees) | Loss Ratio  |
|------------------------------------|-------------|--------------------|---------------------------|--|-------------|
|                                    |             | Whole Loss         | Net Incurred to Insurers* |  |             |
| 2015-2016                          | 2           | \$1,041,963        | \$941,963                 | \$461,040  | 204%        |
| 2016-2017                          | 3           | \$306,977          | \$256,977                 | \$482,162  | 53%         |
| 2017-2018                          | 2           | \$330,918          | \$230,918                 | \$521,051  | 44%         |
| 2018-2019                          | 2           | \$417,287          | \$367,287                 | \$588,494  | 62%         |
| 2019-2020                          | 2           | \$765,000          | \$715,000                 | \$719,169  | 99%         |
| 2020-2021                          | 2           | \$1,750,000        | \$1,650,000               | \$920,001  | 179%        |
| <b>GRAND TOTALS</b>                |             | <b>\$4,612,145</b> | <b>\$4,162,145</b>        | <b>\$3,691,920</b>   | <b>113%</b> |
| *Whole loss less Port's deductible |             |                    |                           |  |             |

# Pacific Northwest Ports Property Program Alliant Property Insurance Program (APIP)

- APIP encompasses total insurable values of over \$600 Billion
- The placement is marketed worldwide, including: United States, London, Bermuda and European capacity
- Diverse panel of “A” Rated Insurers
- Comprehensive, Manuscript Coverage Form:
  - Replacement Cost valuation (*not* Actual Cash Value or tied to Schedule)
  - All Risk Limit: \$500,000,000; **\$50,000 Deductible**
  - Earthquake & Flood Limit: \$50,000,000; 5%/\$100K Minimum Deductible
  - Dredging and Removal of Wreck: \$1,000,000
  - Cyber (1<sup>st</sup> and 3<sup>rd</sup> Party): \$2,000,000 (Placed separately with Beazley)
- Goal: retain comprehensive coverage including dedicated Earthquake and Flood limits for the Port



# Strategic Plan for Port of Everett Property Renewal

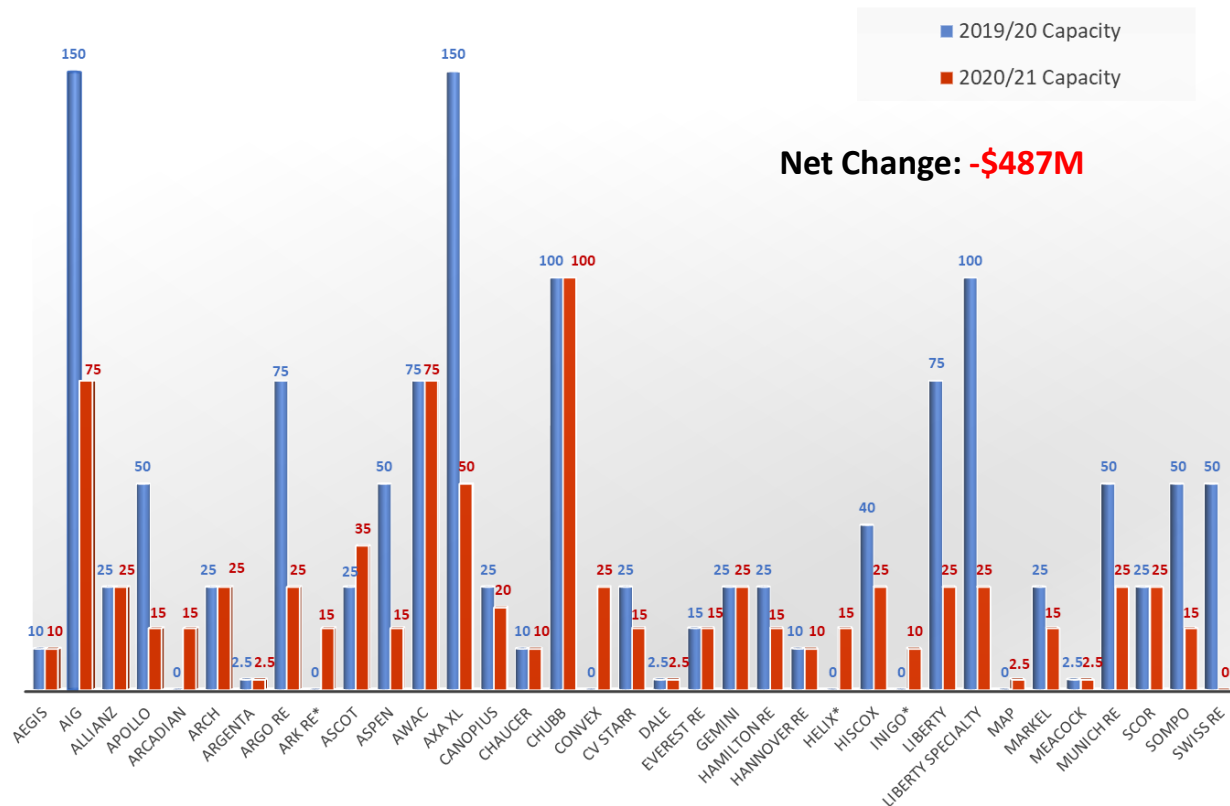
What steps are we taking to try and mitigate the impact of this market on the Port of Everett?

- We are aggressively marketing the Port of Everett Property program to alternative markets.
- We are seeking alternatives that could reduce rates. However, this type of program would likely come with significant reductions in coverage.
- We are starting the marketing/renewal process very early. We are trying to have meetings with all of our clients in order to let you know the likely financial impact to your port.
- We will provide you with regular updates.



# Casualty Market Reduction

Capacity by Market



*Significant reduction in market capacity through individual efforts by insurers to "de-risk" their portfolios*



# 10/1 Casualty Renewal Impacts

- While Marine Capacity has been reduced by almost 50%, there is still a relatively strong appetite for Port Liability.
- The Port of Everett has a syndicated program that includes major domestic insurance companies as well as London syndicates.
- There will be rate increases, however, they will be manageable.
- We do NOT anticipate any changes to the Port's coverage or deductibles.



QUESTIONS?