

**AGENDA**

**Port Freeport  
Finance Advisory Committee  
Special Meeting  
Thursday, June 9, 2022, 12:25 pm - 12:45 pm  
In Person & Videoconference - Administration Building - 1100 Cherry Street - Freeport**

**This meeting agenda with the agenda packet is posted online at [www.portfreeport.com](http://www.portfreeport.com)**

The meeting will be conducted pursuant to Section 551.127 of the Texas Government Code titled "Videoconference Call." A quorum of the Finance Advisory Committee, including the presiding officer, will be present at the Commissioner Meeting Room located at 1100 Cherry Street, Freeport, Texas. The public will be permitted to attend the meeting in person or by videoconference.

The videoconference is available online as follows:

Join Zoom Meeting

<https://us02web.zoom.us/j/85034113619?pwd=VWdsdXY0V1hVamxOOG5HNkdEYkVkUT09>

Meeting ID: 850 3411 3619

Passcode: 902412

Dial by your location

1 346 248 7799 US (Houston)

Meeting ID: 850 3411 3619

Find your local number: <https://us02web.zoom.us/j/85034113619?pwd=VWdsdXY0V1hVamxOOG5HNkdEYkVkUT09>

1. Committee Members: Croft (Chairman), Pirtle, Giesecke
2. CONVENE OPEN SESSION in accordance with Texas Government Code Section 551.001, et. seq., to review and consider the following:
3. Roll Call.
4. Public Comment. (Public comment on any matter not on this Agenda will be limited to 5 minutes per participant and can be completed in person or by videoconference).
5. Public Testimony. (Public testimony on any item on this Agenda will be limited to 3 minutes per agenda item to be addressed per participant and can be completed in person or by videoconference. The participant shall identify in advance the specific agenda item or items to be addressed).
6. Discussion regarding Port Freeport Liability Insurance.
7. Adjourn.

***The Committee does not anticipate going into a closed session under Chapter 551 of the Texas Government Code at this meeting for any other items on the agenda, however, if necessary, the Committee may go into a closed session as permitted by law regarding any item on the agenda.***



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Phyllis Saathoff, Executive Director/CEO

**PORT FREEPORT**



# Executive Summary

July 1, 2022-2023

## *Port Freeport*

Arthur J Gallagher Risk Management Services, Inc.

David Garcia, CPA | Broker Consultant

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Stephen\_whalley@ajg.com | 832.419.0005

Date of Meeting: June 6, 2022



# Gallagher




Insurance | Risk Management | Consulting

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## CORE360® Executive Summary Scorecard

Your **CORE360** Executive Summary Scorecard has been developed for you to get a quick snapshot of how we've impacted your total cost of risk for the policies detailed in this proposal.

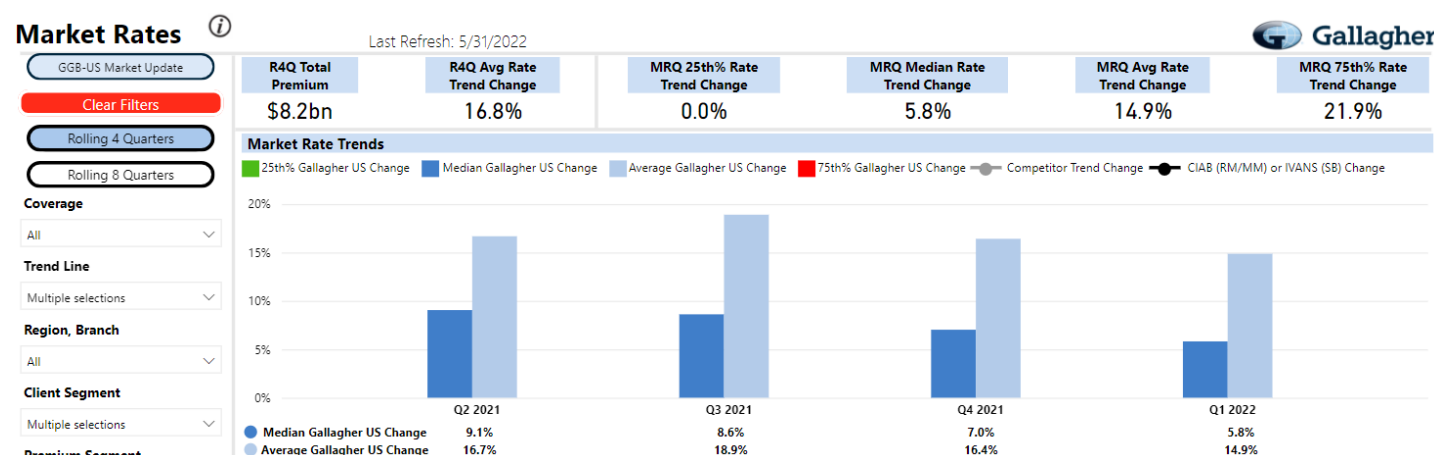
|  |   |
|--|---|
|  <p>Insurance Premiums</p>      | <p><b>Total Premium of \$198,168</b></p> <ul style="list-style-type: none"> <li>• State of the Market – Average rate increase of 14.9%.</li> <li>• Year over year increase for the entire program is 11.53% or \$20,479.</li> <li>• The majority of the year over year increases are as follows: <ul style="list-style-type: none"> <li>– Auto – Rate Increase of 16.75%; or \$5,109 year over year</li> <li>– Marine General Liability – \$11.97% rate increase; year over year increase of \$13,500; driven primarily through revenue growth of \$31M to \$41.7M or 34.81%.</li> <li>– Bumbershoot- Year over year increase of \$5,790 or 121.1% driven by revenue growth.</li> <li>– Public Officials – Decrease of <b>\$3,804</b></li> </ul> </li> </ul>  |
|  <p>Program Structure</p>      | <p><b>Incumbent Carriers</b></p> <ul style="list-style-type: none"> <li>• Commercial Auto – Nationwide - Rating A+ XV (Admitted)</li> <li>• Marine General Liability – C.N.A - Rating A XV (Admitted)</li> <li>• Hull&amp; Machinery / P&amp;I – Beazley Insurance - Rating A XIV (Admitted)</li> <li>• Vessel Pollution – Safe Harbor - Rating A IX (Admitted)</li> <li>• Public Officials - \$5M– AIG - Rating A XV (Admitted)</li> <li>• Public Officials - \$5M x \$5M– Iron shore - Rating A XV (Admitted)</li> <li>• Public Officials - \$5M x \$10M– One Beacon - Rating A+ XV (Admitted)</li> <li>• Maritime Employers Liability – Lloyd's of London - Rating A XV (Non-Admitted)</li> <li>• Bumbershoot - \$9M X \$1M –Sompo International (Endurance American Ins.Co.) – Rating A+ XV</li> <li>• Bumbershoot - \$15M X \$9M <ul style="list-style-type: none"> <li>– Navigators - 50% Participation <ul style="list-style-type: none"> <li>▪ Rating A+ XI</li> </ul> </li> <li>– Ascot – 50% Participation <ul style="list-style-type: none"> <li>▪ Rating A XIV</li> </ul> </li> </ul> </li> </ul> |
|  <p>Contractual Liability</p> | <p><b>Continue to issue all certificates accurately and timely.</b></p> <ul style="list-style-type: none"> <li>• <b>15</b> certificates in 2017.</li> <li>• <b>10</b> certificates in 2018.</li> <li>• <b>12</b> certificates in 2019.</li> <li>• <b>13</b> certificates in 2020.</li> <li>• <b>15</b> certificates in 2021.</li> </ul>   |

## Gallagher Recommendation

- Total premium spend is \$198,168 which is a year over year increase of 11.53% or \$20,479.
- We recommend that you renew with all incumbent carriers:
- Please note the following:
  - **Marine General Liability** –C.N.A. has been your marine general liability carrier since 2020, and we still recommend C.N.A. as your Marine General Liability carrier for a few reasons; to build equity with the carrier in the event of a loss plus the following events have been scheduled onto the policy form at no additional cost.
    - Take a Child Fishing- Local Dad's N' Daughters fishing held on municipal land.
    - Port Freeport Annual Golf Tournament –held at Lack Jackson Public Course- municipal owned
    - Dedication Ceremony
    - Seminar sponsored in Houston at a hotel for ports and associated groups
    - Local seminars help at Port Freeport with vendors for safety meetings - quarterly
  - **Auto** – In 2019, Philadelphia exited the monoline auto market due to significant losses within the industry. Nationwide was very interested in this line due to your great loss history and Nationwide actually delivered a decrease in 2020 in terms of rate which is a significant win. For 2022, we still recommend Nationwide as the premium of \$35,606 is the same cost as the Auto program with Philadelphia back in 2019 - approximately \$35,328.
  - **Bumbershoot** – The lead carrier is Sompo International (\$9M Limit) while both Navigators and Ascot writes the Excess Bumbershoot (\$15M X \$10M) at 50% participation.
    - In 2020, Navigators had 100% participation on the Excess Bumbershoot.
    - Due to market conditions in 2021, Navigators only offered a 50% participation.
    - Ascot was the 2<sup>nd</sup> carrier that provided a 50% line.
  - **Public Officials/ D&O** – We still recommend AIG (\$5M), Ironshore (\$5M x \$5M) and One Beacon (\$5M x \$10M) as your carriers for your Public Officials coverage. You have been with these carriers for over 6 years and have built up substantial equity with these carriers.

# State of the Market – 1Q 2022

## The big picture - Average Rate Change is 14.9%



### WHERE WE WERE: 2021

- Like 2019 and 2020, 2021 was a challenging market overall. Our clients faced significant difficulties trying to find coverage, with capacity issues and significant rate increases—for some clients as much as 50%–100% increases, often multiple years in a row.
- A confluence of factors continued to challenge the industry, including social inflation—the trend of rising insurance costs as a result of increased litigation, plaintiff-friendly judgements and high jury awards — increased storm activity and pandemic losses. Additionally, carriers’ ability to offset these results through investment income remained a challenge due to the low interest rate environment.

### WHERE WE ARE: WHAT WE’RE SEEING NOW

- Rate increases are moderating for some lines. After three years of substantial rate increases, we’re approaching a point of rate adequacy in the market, which is leading to more moderate rate increases.
- The market is trending slightly flatter, though not in every coverage line. Cyber, for example, has kept up sizeable year-over-year rate increases, with median increases of 39%, while Workers’ Compensation rates were flat.
- Three years of carriers raising rates, restricting limits and increasing deductibles have generally made the market more attractive to new business. Carriers’ combined ratios improved throughout 2021.

### WHERE WE’RE GOING: TRENDS WE ARE WATCHING

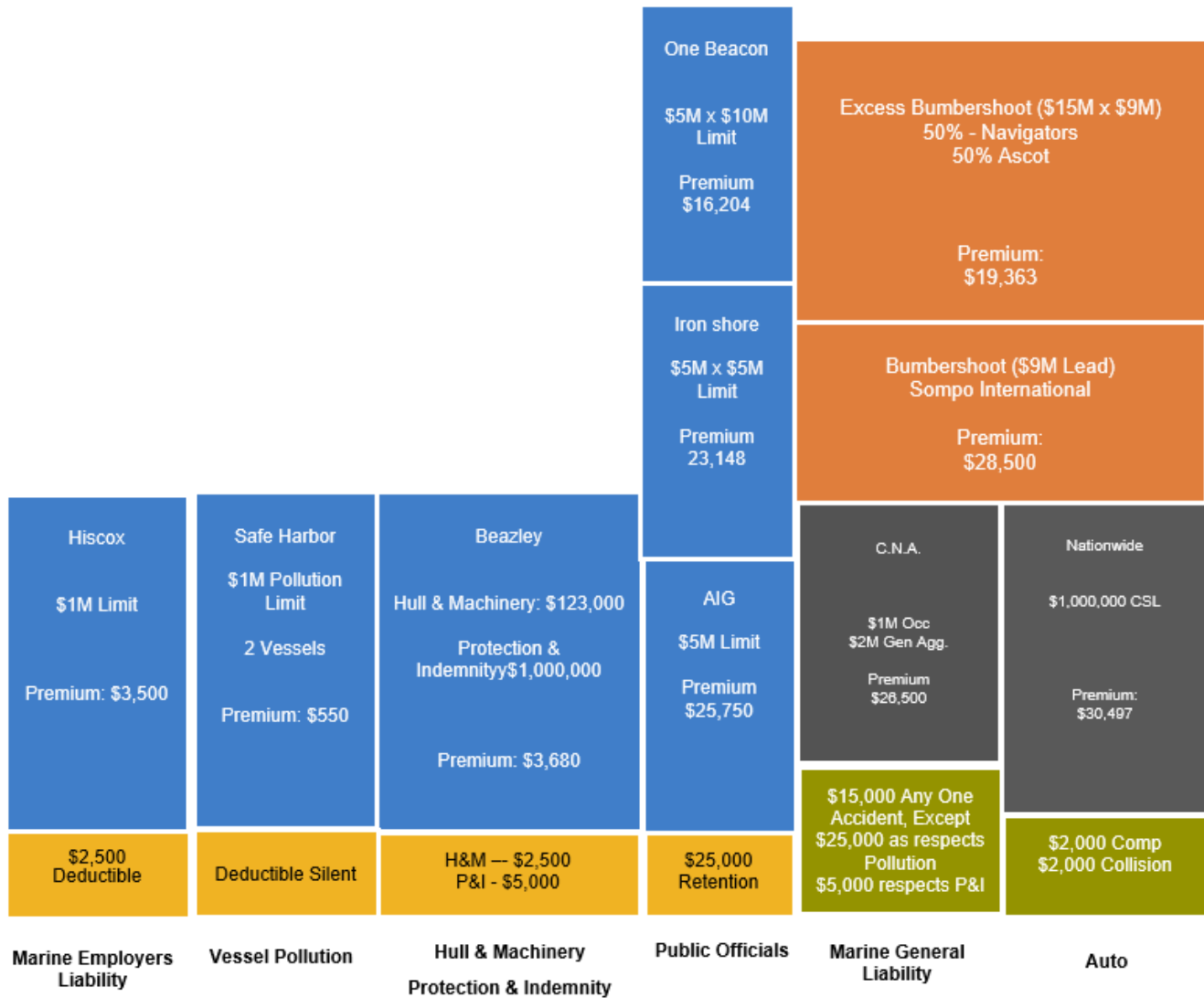
- With improving rate adequacy comes increased carrier competition. There are a number of new entrants to the market and increasing competition as underwriters look to write new business. We expect this to level off rate increases further into 2022. Exceptions are challenged placements, those with elevated risk profiles, and accounts that have experienced losses.
- Social inflation remains a concern, with a particular impact on Commercial Auto, General Liability, Directors and Officers (D&O), and Umbrella/Excess insurance. This trend continues to drive rates up, albeit more moderately than in prior years.

## Insurance Premiums

| Total Cost  | 2021                            | 2022                            | Change   |
|---|---------------------------------|---------------------------------|----------|
| Premium   | \$177,689                       | \$198,168                       | 11.53%   |
|   |                                 | Change Year over Year           | \$20,479 |
|   |                                 |                                 |          |
| Commercial Auto   | 2021<br>(Nationwide)            | 2022<br>(Nationwide)            | Change   |
| Premium   | \$30,497                        | \$35,606                        | 16.75%   |
| Number of Auto  | 22                              | 22                              | 0.00%    |
| Deductible  | \$2,000                         | \$2,000                         | 0.00%    |
| Rate per Auto   | \$1,386                         | \$1,618                         | 16.75%   |
|   |                                 |                                 |          |
| Marine General Liability  | 2021<br>(C.N.A.)                | 2022<br>(C.N.A.)                | Change   |
| Premium   | \$26,500                        | \$40,000                        | 50.94%   |
| Revenue   | 31,000,000                      | 41,790,000                      | 34.81%   |
| Rate  | \$0.85                          | \$0.96                          | 11.97%   |
|   |                                 |                                 |          |
| Hull & Machinery / Protection & Indemnity<br>(Including Vessel Pollution) | 2021<br>(Beazley & Safe Harbor) | 2022<br>(Beazley & Safe Harbor) | Change   |
| Hull / Protection & Indemnity Premium                                     | \$3,680                         | \$3,914                         | 6.36%    |
| Pollution Premium   | 550                             | 550                             | 0.00%    |
| Hull & Machinery  | 123,000                         | 123,000                         | 0.00%    |
| Protection & Indemnity - Limit  | 1,000,000                       | 1,000,000                       | 0.00%    |
| Vessel Pollution Limit  | 1,000,000                       | 1,000,000                       | N/A      |
| Rate  | \$29.92                         | \$31.82                         | 6.36%    |

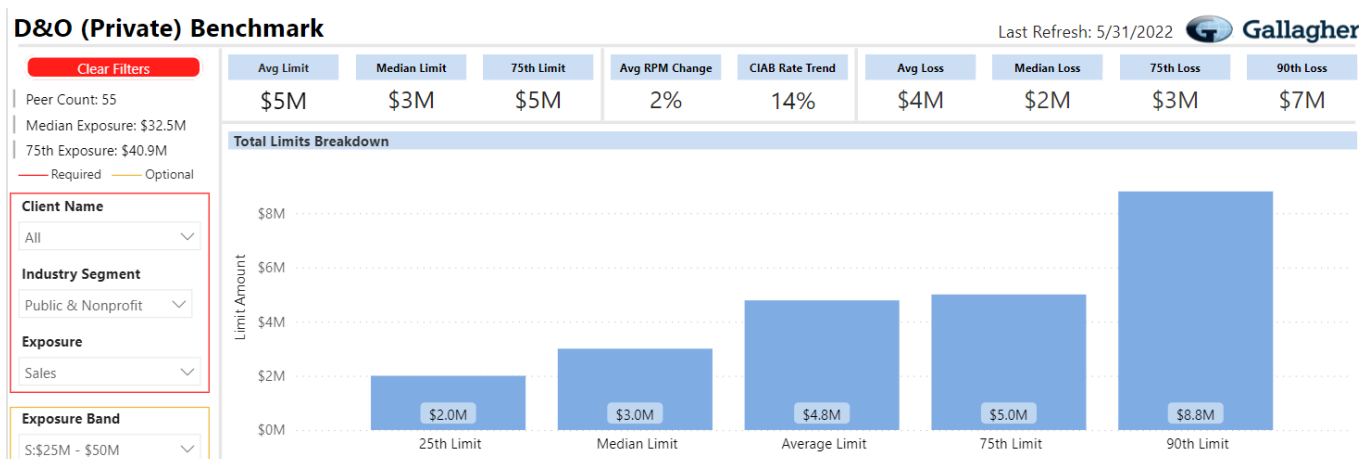
| Maritime Employers Liability                         | 2021<br>(Lloyds)           | 2022<br>(Lloyds)            | Change  |
|--|----------------------------|-----------------------------|---------|
| Premium  | \$3,500                    | \$3,150                     | -10.00% |
| Revenue  | If Any                     | If Any                      | N/A     |
|  |                            |                             |         |
| Bumbershoot -\$25M                                   | 2021<br>(Various Carriers) | 2022<br>(Various Carriers)  | Change  |
| Premium  | 47,860                     | 53,650                      | 12.10%  |
| Revenue  | 31,100,000                 | 41,790,000                  | 34.37%  |
| Sompo International Limit                            | 9,000,000                  | 9,000,000                   | 0.00%   |
| Navigators/Ascot Limit                               | 15,000,000                 | 15,000,000                  | 0.00%   |
| Rate   | \$1.54                     | \$1.28                      | -16.58% |
|  |                            |                             |         |
| Public Officials -D&O / EPL - AIG - \$5M Limit       | 2021<br>(AIG)              | 2022<br>(AIG)               | Change  |
| Premium  | \$25,750                   | \$23,442                    | -8.96%  |
| Projected Revenue                                    | 31,100,000                 | 41,790,000                  | 34.37%  |
| Retention  | 25,000                     | 25,000                      | 0.00%   |
| Rate   | \$0.83                     | \$0.56                      | -32.25% |
|  |                            |                             |         |
| Public Officials -Excess - Ironshore - \$5M x \$5M   | 2021<br>(Ironshore)        | 2022<br>(Ironshore)         | Change  |
| Premium  | \$23,148                   | \$22,268                    | -3.80%  |
| Projected Revenue                                    | 31,100,000                 | 41,790,000                  | 34.37%  |
| Rate   | \$0.74                     | \$0.53                      | -28.41% |
|  |                            |                             |         |
| Public Officials -Excess - One Beacon - \$5M X \$10M | 2021<br>(One Beacon)       | 2022<br>(Intact/One Beacon) | Change  |
| Premium  | \$16,204                   | \$15,588                    | -3.80%  |
| Projected Revenue                                    | 31,100,000                 | 41,790,000                  | 34.37%  |
| Rate   | \$0.52                     | \$0.37                      | -28.41% |

# Program Structure



## Benchmarking – Directors’ & Officers’

- Entities with revenues between \$25M and \$50M in revenues on average purchase \$5M Limits for Directors’ & Officers’
- The Port Freeport currently purchases \$15M in Directors’ & Officers’ Limits



## Your Team

Your Gallagher team is a true partner. We have the expertise to understand your business and we're here to service and stay alongside you, every step of the way.

| Name/Title                       | Phone                                      | Email  | Role                           |
|----------------------------------|--|--|--------------------------------|
| <b>Primary Service Team</b>      |  |  |                                |
| Stephen Whalley                  | 713.358.5744 office<br>832.419.0005 mobile | <a href="mailto:stephen_whally@ajg.com">stephen_whally@ajg.com</a> | Area Senior Vice President     |
| David Garcia, CPA                | 713.722.1615 office<br>713.540.1960 mobile | <a href="mailto:david_garcia@ajg.com">david_garcia@ajg.com</a>     | Broker Consultant              |
| Lisa Frausto                     | 713.358.5960 office<br>281.507.8545 mobile | <a href="mailto:lisa_frausto@ajg.com">lisa_frausto@ajg.com</a>     | Senior Client Service Manager  |
| <b>Claims &amp; Loss Control</b> |  |  |                                |
| Toby Grist                       | 972.663.6147 office                        | <a href="mailto:Toby_grist@ajg.com">Toby_grist@ajg.com</a>         | Regional Claims Manager        |
| Patrick Mikel                    | 972.663.6118 office                        | <a href="mailto:patrick_mikel@ajg.com">patrick_mikel@ajg.com</a>   | Property Claim Specialist      |
| Ed Zabinski                      | 630.694.5486 mobile                        | <a href="mailto:ed_zabinski@ajg.com">ed_zabinski@ajg.com</a>       | Loss Control Managing Director |