

AGENDA

**Port Freeport
Finance Advisory Committee
Special Meeting
Thursday, June 8, 2023, 11:45 am - 12:10 pm
In Person & Videoconference - Administration Building -1100 Cherry Street - Freeport**

This meeting agenda with the agenda packet is posted online at 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/84709028327?pwd=K2FzaW5vTVQ5NUJudCtoaGUvOMQZz09>

Meeting ID: 847 0902 8327

Passcode: 559409

Dial by your location

1 346 248 7799 US (Houston)

Meeting ID: 847 0902 8327

Find your local number: <https://us02web.zoom.us/j/84709028327?pwd=K2FzaW5vTVQ5NUJudCtoaGUvOMQZz09>

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 3 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. Discussion regarding amendments to the Port Freeport Investment Policy.
8. 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.



Phyllis Saathoff, Executive Director/CEO

PORT FREEPORT



Executive Summary

July 1, 2023-2024

Port Freeport

Arthur J Gallagher Risk Management Services, Inc.

David Garcia, CPA | Broker Consultant

david_garcia@ajg.com | 713.540.1960

Stephen Whalley | Area Vice President

Stephen_whalley@ajg.com | 832.419.0005

Date of Meeting: June 8, 2023



Gallagher




Insurance | Risk Management | Consulting

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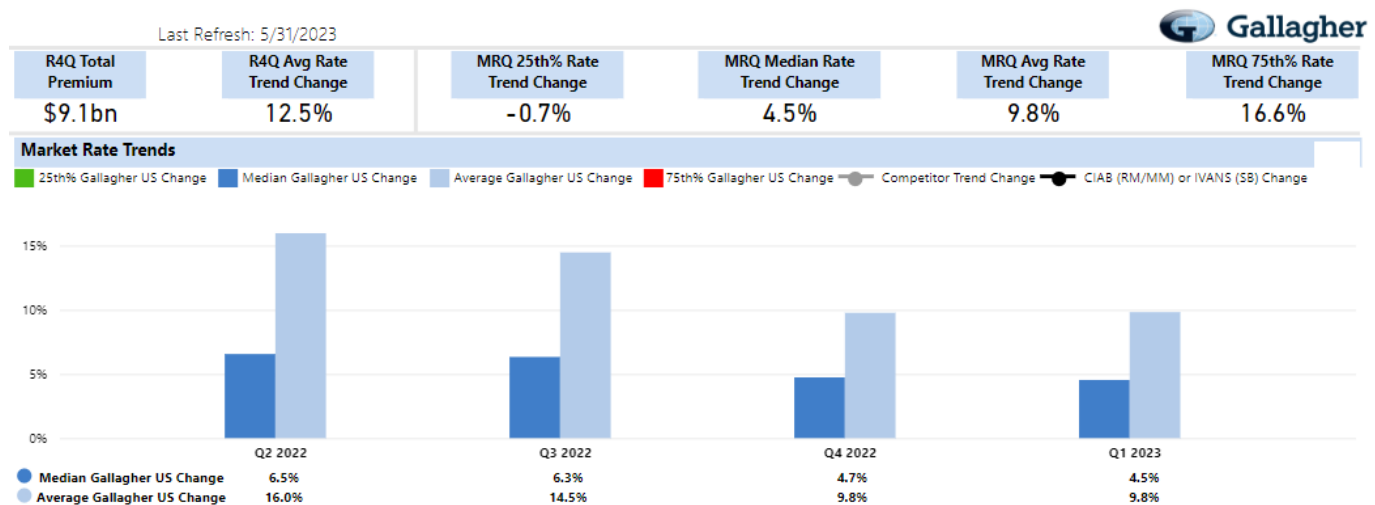
CORE360[®] Executive Summary Scorecard

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>2023 Total Liability Premium - \$219,925</p> <ul style="list-style-type: none"> • State of the market – average rate increase of 9.8%. • Year over year increase for the entire program for Port Freeport is 10.98% or \$21,757. • The majority of the year over year increases are as follows: <ul style="list-style-type: none"> – Marine General Liability – 10% rate increase – Bumbershoot- 10.9% rate increase – Public Officials – 3.38% rate increase – Auto – 26.93% rate increase
 <p>Program Structure</p>	<p>Incumbent Carriers</p> <ul style="list-style-type: none"> • Commercial Auto – Nationwide - Rating A+ XV (Admitted) • Marine General Liability – C.N.A - Rating A XV (Admitted) • Hull& Machinery / P&I – Beazley Insurance - Rating A XIV (Admitted) • Vessel Pollution – Safe Harbor - Rating A IX (Admitted) • Public Officials - \$5M– AIG - Rating A XV (Admitted) • Public Officials - \$5M x \$5M– Iron shore - Rating A XV (Admitted) • Public Officials - \$5M x \$10M– One Beacon - Rating A+ XV (Admitted) • Maritime Employers Liability – Lloyd's of London - Rating A XV (Non-Admitted) • Bumbershoot - \$9M X \$1M –Sompo International (Endurance American Ins.Co.) – Rating A+ XV • Bumbershoot - \$15M X \$9M <ul style="list-style-type: none"> – Navigators - 50% Participation <ul style="list-style-type: none"> ▪ Rating A+ XI – Ascot – 50% Participation <ul style="list-style-type: none"> ▪ Rating A XIV
 <p>Contractual Liability</p>	<p>Continue to issue all certificates accurately and timely.</p> <ul style="list-style-type: none"> • 15 certificates in 2017. • 10 certificates in 2018. • 12 certificates in 2019. • 13 certificates in 2020. • 15 certificates in 2021. • 14 certificates in 2022.

State of the Market – 1Q 2023

The Big Picture - Average Rate Change is 9.8%



Buyers overall faced a challenging insurance market beginning in 2018 and continuing through Q1 2023.

Over the last few years, carriers have taken significant actions to improve profitability by:

- Becoming more selective on risks they were willing to insure
- Raising rates
- Requiring higher deductibles/retentions and attachment points
- Reducing limits/capacity

Although carriers have taken significant actions to improve their performance, many will report combined ratios in excess of 100% for 2022, primarily due to CAT losses led by Hurricane Ian and Winter Storm Elliott.

WHERE WE ARE:

Although carriers have taken many measures to improve their overall portfolio's profitability, several headwinds still exist:

- **Inflation** — Inflation continues to impact the insurance marketplace elevating carriers' loss costs (mid-single digits or greater and will directly impact carriers' ability to offer property capacity).
 - ✓ On the property side, we're seeing an increase in building materials, fuel and labor costs, which in turn increases overall claim costs and adds to claim resolution time. Inflation is also impacting carriers' ability to deploy capacity and manage catastrophic risk.
 - ✓ On the casualty side, carriers face escalating challenges that drive up claim costs, including social inflation, plaintiff-friendly judgments and "nuclear" jury awards. Many of these challenges have been exacerbated by third-party litigation funding (TPLF). Litigation funded by third-party investors is most prevalent in commercial auto, general liability, Directors & Officers (D&O), and umbrella/excess insurance lines.

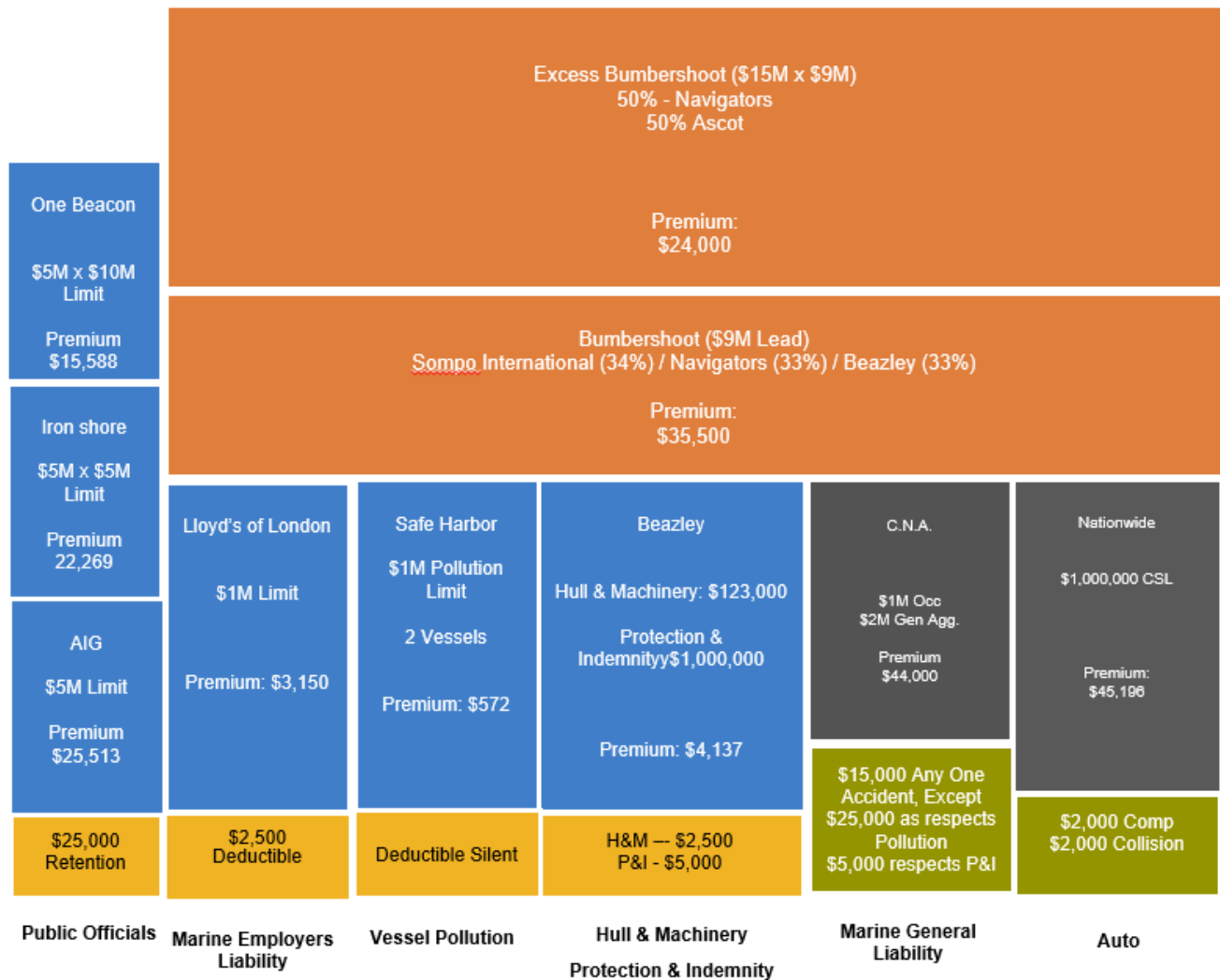
2023 Insurance Premiums

Total Cost	2022	2022	Change
Premium	\$198,168	\$219,925	10.98%
		Change Year over Year	\$21,757
Marine General Liability	2022 (C.N.A.)	2023 (C.N.A.)	Change
Premium	\$40,000	\$44,000	10.00%
Revenue	41,790,000	41,790,000	0.00%
Rate	\$0.96	\$1.05	10.00%
Hull & Machinery / Protection & Indemnity (Including Vessel Pollution)	2022 (Beazley & Safe Harbor)	2023 (Beazley & Safe Harbor)	Change
Hull / Protection & Indemnity Premium	\$3,914	\$4,137	5.70%
Pollution Premium	550	572	4.00%
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	\$31.82	\$33.63	5.70%
Commercial Auto	2022 (Nationwide)	2023 (Nationwide)	Change
Premium	\$35,606	\$45,196	26.93%
Number of Auto	22	22	0.00%
Deductible	\$2,000	\$2,000	0.00%
Rate per Auto	\$1,618	\$2,054	26.93%
Maritime Employers Liability	2022 (Lloyds)	2023 (Lloyds)	Change
Premium	\$3,150	\$3,150	0.00%
Deductible	\$2,500	\$2,500	0.00%
Revenue	If Any	If Any	N/A

Bumbershoot - \$25M	2022 (Various Carriers)	2023 (Various Carriers)	Change
Premium	53,650	59,500	10.90%
Revenue	41,790,000	41,790,000	0.00%
Sompo International Limit	9,000,000	9,000,000	0.00%
Navigators/Ascot Limit	15,000,000	15,000,000	0.00%
Rate	\$1.28	\$1.42	10.90%
Public Officials -D&O / EPL - AIG - \$5M Limit	2022 (AIG)	2023 (AIG)	Change
Premium	\$23,442	\$25,513	8.83%
Projected Revenue	37,900,000	39,200,000	3.43%
Retention	25,000	25,000	0.00%
Rate	\$0.62	\$0.65	5.23%
Public Officials -Excess - Ironshore - \$5M x \$5M	2022 (Ironshore)	2023 (Ironshore)	Change
Premium	\$22,268	\$22,269	0.00%
Projected Revenue	37,900,000	39,200,000	3.43%
Rate	\$0.59	\$0.57	-3.31%
Public Officials -Excess - One Beacon - \$5M X \$10M	2022 (Intact/One Beacon)	2023 (Intact/One Beacon)	Change
Premium	\$15,588	\$15,588	0.00%
Projected Revenue	37,900,000	39,200,000	3.43%
Rate	\$0.41	\$0.40	-3.32%

2023 Rate Expectations with Incumbent Carriers vs Actual Results			
Line of Coverage	Incumbent Carrier	2023 Rate Expectations As of 03.24.2023	Actual Results - As of 06.01.2023
Auto Liability	Nationwide	25% - 30% Increase	26.93%
Marine General Liability	C.N.A.	Slight Increase	10.00%
Hull & Machinery / Protection & Indemnity (Including Vessel Pollution)	Beazley & Safe Harbor	5% + Increase	5.70%
Maritime Employers Liability	Lloyds	Slight Increase	0.00%
Bumber shoot - \$24M	Various	10% + Increase	10.90%
Public Officials - D&O	AIG/ Ironshore / One Beacon	10%- 15% Increase	5.23%

Program Structure

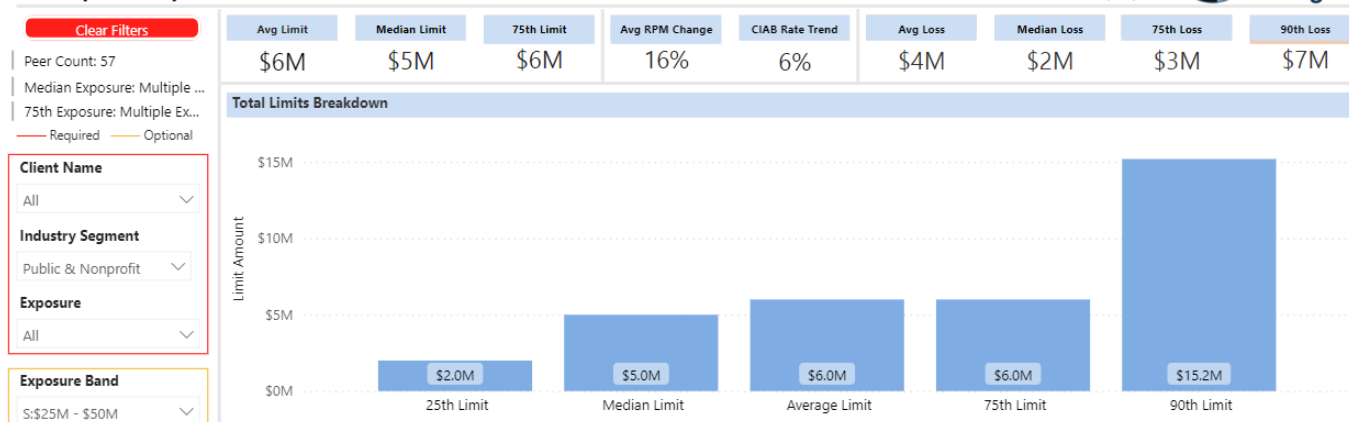


Benchmarking – Directors’ & Officers’

- 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

D&O (Private) Benchmark

Last Refresh: 5/31/2023  Gallagher



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
Primary Service Team			
Stephen Whalley	713.358.5744 office 832.419.0005 mobile	stephen_whally@ajg.com	Area Senior Vice President
David Garcia, CPA	713.722.1615 office 713.540.1960 mobile	david_garcia@ajg.com	Broker Consultant
Leannette Serna	713.722.1651 office 931.378.2233 mobile	leannette_serna@ajg.com	Senior Client Manager
Claims & Loss Control			
Toby Grist	972.663.6147 office	Toby_grist@ajg.com	Regional Claims Manager
Patrick Mikel	972.663.6118 office	patrick_mikel@ajg.com	Property Claim Specialist
Ed Zabinski	630.694.5486 mobile	ed_zabinski@ajg.com	Loss Control Managing Director

**RESOLUTION OF COMPLIANCE WITH PUBLIC FUNDS
INVESTMENT ACT, APPROVING AMENDMENT OF
INVESTMENT POLICY AND UPDATE OF
INVESTMENT STRATEGIES**

At a regular meeting of the Port Commission of Port Freeport held in the office of said Port at 1100 Cherry Street, Freeport, Texas, at 1:00 p.m. on the 8th day of June 2023, among other business came on to be considered the following resolution, which upon motion duly made and seconded was adopted by the vote of all Commissioners present.

FINDINGS

1. Due and proper notice of the date, time, place and purpose of this meeting has been duly given in accordance with the provisions of the Texas Open Meetings Act, and such meeting has been conducted in accordance with said Open Meetings Act.
2. In accordance with the Public Funds Investment Act, Chapter 2256, Texas Government Code (the "Act"), the Commission reviews the investment policy and strategies of the Port at least annually and maintains strict compliance with the requirements of the Act.
3. The Port has heretofore adopted a standing investment policy currently complied with and set forth as Section 9.1 (Investment of Surplus Funds) of *Port Freeport Policy Manual*, subject to review and amendment.
4. The Commission has this date conducted its annual review of the Port's investment policy in accordance with the Act and determines it is in the best interest of the Port to update said policy with amendment as set forth in the document attached hereto, Section 9.1 of the *Port Freeport Policy Manual*, entitled Port Property/Investment of Surplus Funds.
5. The Commission has this date conducted its annual review of the Port's authorized investment brokers in accordance with the Act and determines it is in the best interest of the Port to approve the authorized broker list as set forth in the document attached hereto, Section 9.1, exhibit 9.1-1 of the *Port Freeport Policy Manual*, entitled Port Property/Investment of Surplus Funds
6. The Commission this date has furthermore conducted its annual review of the investment strategies of the Port as presented for fiscal year 2023/2024 and determines that it is in the best interest of the Port to approve the investment strategies as set forth in the documents attached hereto, Section 3.6 of the Port's administrative *Practices and Procedures*, entitled Investment of Funds.
7. Upon certification presented, the Commission also finds that the Port's Treasurer or designated investment officer have attended training sessions and received the requisite hours of instruction for the biennium 2023-2025, and also approves the sources of training used in compliance with said Act.

NOW, THEREFORE, BE IT RESOLVED, that the Port's investment policy set forth at Section 9.1 of the *Port Freeport Policy Manual* be and is hereby amended as presented and attached hereto, that the investment strategies of the Port for fiscal year 2023/2024 be adopted as presented and attached hereto and made a part of Section 3.6 of the Port's *Practices and Procedures*, and that the Port's compliance with the requirements of the Public Funds Investment Act be and is in all things affirmed.