



Port of Seattle



AAPA
Port Administration and Legal
Issues Seminar
July 12, 2005
The Risk Management Function

Presented by: Jeff Hollingsworth, Risk Manager-Port of Seattle

Risk Management Function

- Risk Identification
 - Knowing what you have, where it is, value, condition, impact
 - Information is not static - dynamic
- Risk Analysis
 - Sorting, organizing, and prioritizing information
- Risk Control
 - Look at all alternatives considering long term strategic plans
- Risk Financing
 - Integrating risk related costs into budget
 - Strategic element taking into account future plans
- Risk Administration
 - Communication throughout all organizational levels
 - Building relationships
 - Presenting “risk” data in that management can relate to

Risk Management Function

Where is my Dozer ?

The Risk Manager



This is what happens when things
get lost and they turn up in the
most unexpected places.

Risk Management Function at the Port of Seattle Defined by:

- **Risk Management Department**
 - What we view as necessary support functions
 - What we see as value added activity
 - What we see from a strategic standpoint
- **Port Operating Divisions**
 - Where we add value to daily operating functions
 - Where we can help meet certain Business Unit initiatives
 - Where we can help meet elements of the Port's 2003-2007 Values and Strategies
- **Users of Port Facilities**
 - Ensuring their interaction is done in accordance with their needs
- **Providers of Port Capital**
 - Protect their investment

DEPUTY CHIEF EXECUTIVE OFFICER/GENERAL COUNSEL
Linda Strout

DIRECTOR, HEALTH ENVIRONMENTAL AND RISK SERVICES (HERS)
Wayne Grotheer

ENVIRONMENTAL DEPARTMENT
(10 Persons)

EMPLOYEE LOSS PREVENTION PROGRAM MANAGER
Manette Moses

RISK MANAGER
Jeff Hollingsworth

HEALTH & SAFETY MANAGEMENT SPECIALISTS
Heather Barden I
David Epstein II
Dana Stahl II

RISK MANAGEMENT SPECIALIST

CLAIMS MANAGER
Peggy McPartland

MANAGEMENT SPECIALIST DISABILITY
Britney Martinez

CLAIMS SPECIALIST
Tony King

HEALTH & SAFETY ANALYST
Jennifer Lewis

RISK SUMMER INTERN
Christina Lee

STAFF ASSISTANT IV
Danielle Foort



A Diverse Port



Port Commissioners





Economic Benefits of the Seaport 2003 Study

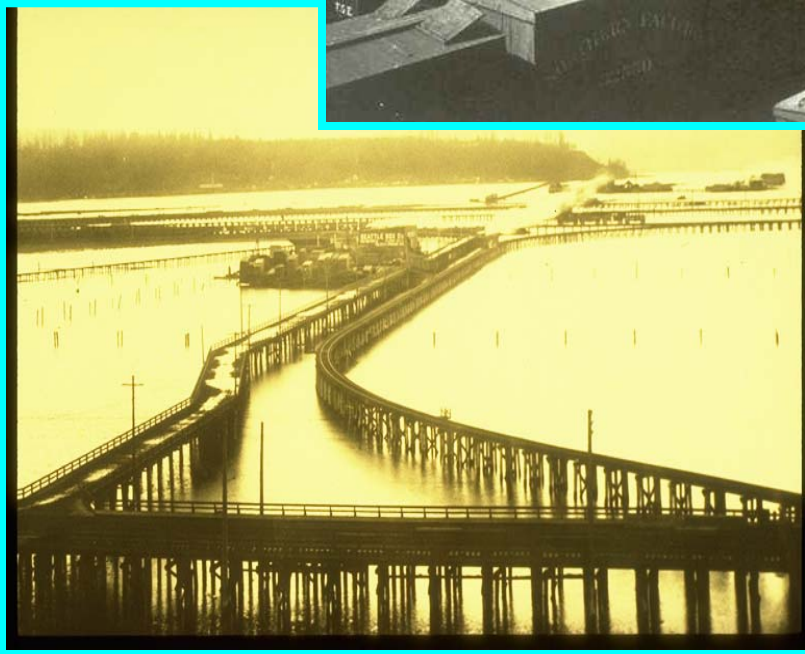
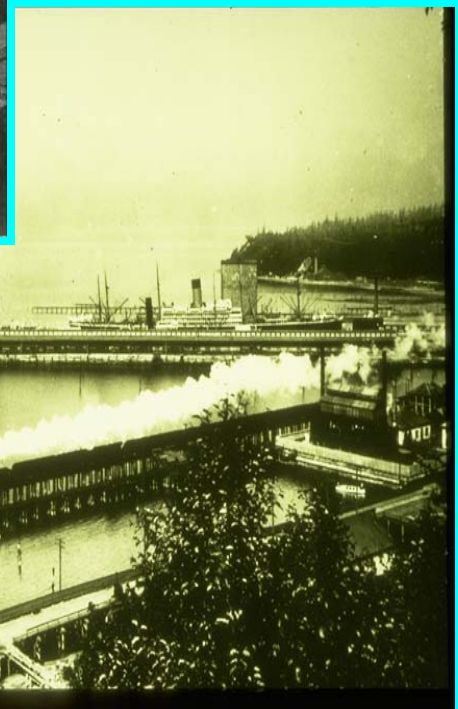
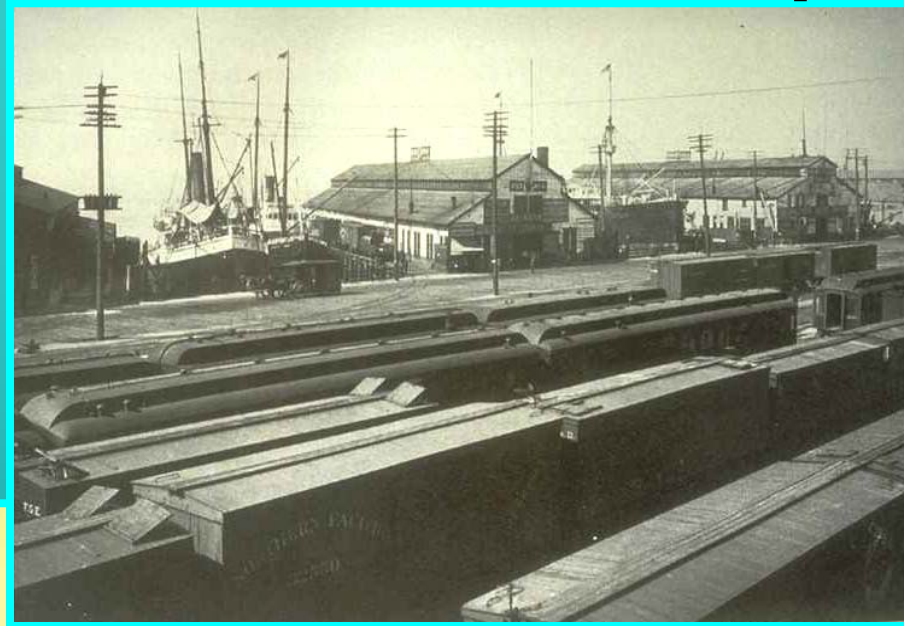
- 34,50 total jobs
- \$2.1 billion of wages/salaries
- \$2.4 billion business revenue
- \$210.9 million in state/local taxes
- \$87.7 million Port of Seattle revenue



Port of Seattle Seaport Facilities

© Kelso/Sasala

Historical Perspective





















Terminal 5



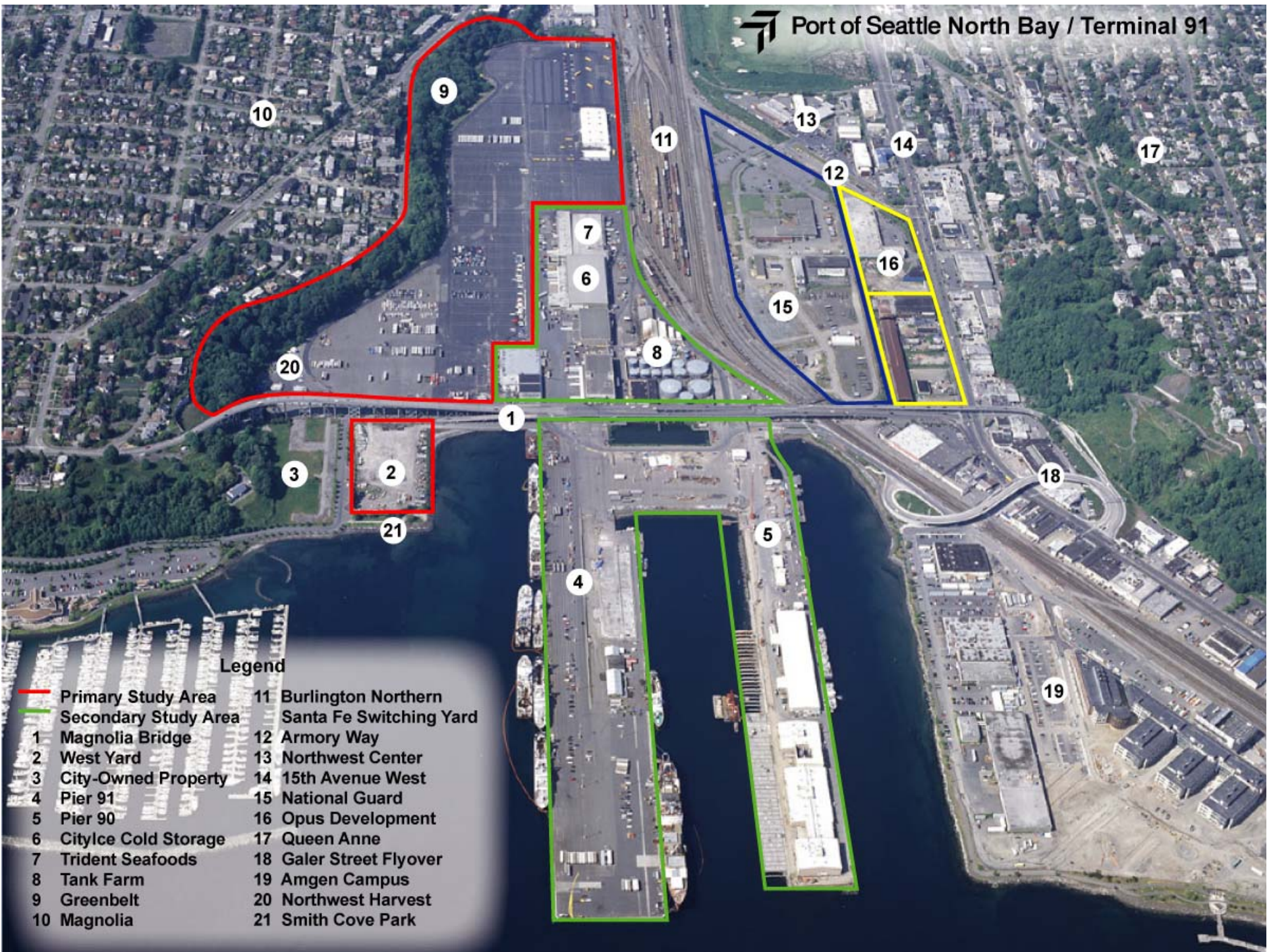
Terminal 18





Piers 90/91 North Bay





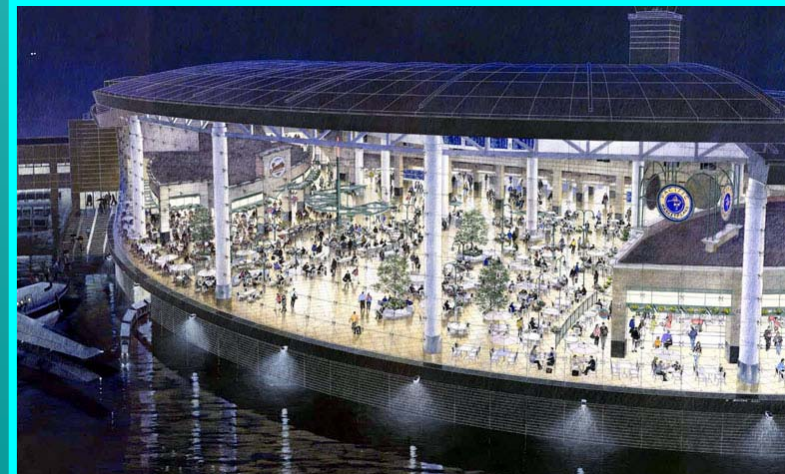
Legend

- | | | |
|---|----------------------|--|
|  | Primary Study Area | 11 Burlington Northern Santa Fe Switching Yard |
|  | Secondary Study Area | 12 Armory Way |
| 1 | Magnolia Bridge | 13 Northwest Center |
| 2 | West Yard | 14 15th Avenue West |
| 3 | City-Owned Property | 15 National Guard |
| 4 | Pier 91 | 16 Opus Development |
| 5 | Pier 90 | 17 Queen Anne |
| 6 | CityIce Cold Storage | 18 Galer Street Flyover |
| 7 | Trident Seafoods | 19 Amgen Campus |
| 8 | Tank Farm | 20 Northwest Harvest |
| 9 | Greenbelt | 21 Smith Cove Park |
| 10 | Magnolia | |





Airport Capital Improvements



Erect South Hall Trusses



Complete Glass Curtain Wall



Moving Walkway Installation



Loading Bridge Installation



Landscaping



Risk Management Operations

- We need to know what the Port is responsible for:
 - Port is a big landlord and owns a lot of property
 - TIV ~ \$3 Billion (55% Aviation and 45% Seaport)
- Port operates very little:
 - Cranes maintained by terminal operators
 - Some maintenance done on jet bridges
- Port has numerous contractual obligations
 - Leases
 - Management agreements
 - Construction contracts

Risk Management Operations

- **We need to know how the Port functions internally**
- **Budget process- Know timing/cost constraints**
- **Know the key managers in the Business Units**
- **Know where to go for information**
 - Insurance renewals
 - Claims costs for retained losses
 - Property valuations
 - Safety improvements
 - Peers/Benchmarking

Risk Management Operations

- **Know how to use information**
 - Insurance renewals
 - Internal risk management budget justification
 - Update Senior Managers on Port risk costs
 - Evaluate and justify new programs
 - Determine the proper retention point
 - Benchmarking with peers
- **Claims Management System (RMIS)**
 - Critical for monitoring claims costs
 - To identify target areas for safety improvement
 - Subrogation of property losses
 - Cost of risk benchmarking

Risk Management Communication Success

- Relationships with Business Units
- Tying proposals into budget process
- Justifying new programs
- Using a collaborative process
- Sharing results of programs
- Thinking ahead
- Creating realistic targets

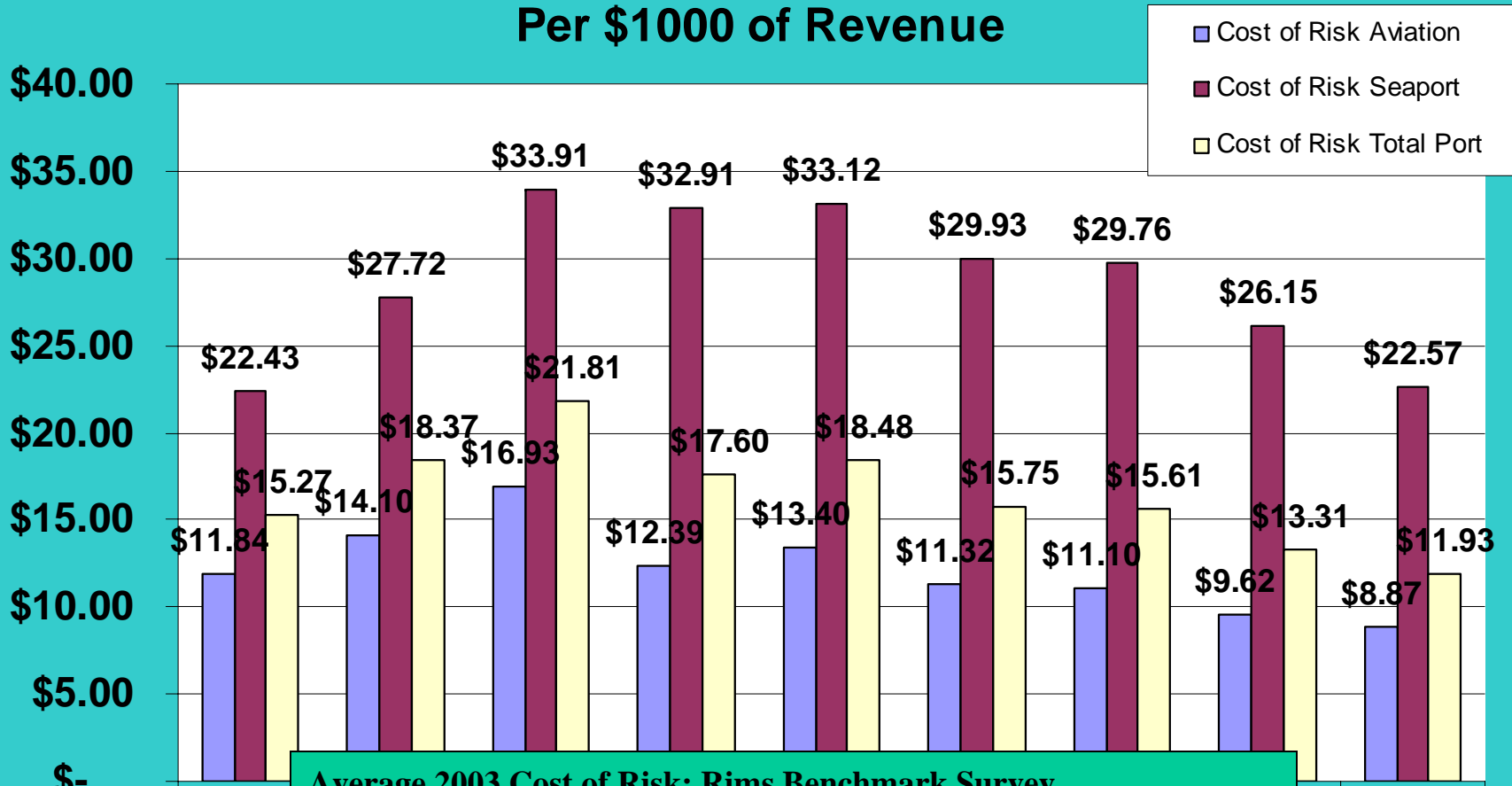
Risk Costs 2004-2005

| Year 2004 Actual | Aviation | Seaport | Total Port |
|--------------------------------|--------------------|--------------------|--------------------|
| Risk Management Administration | \$ 637,000 | \$ 343,000 | \$ 980,000 |
| Contracted Services | \$ 189,800 | \$ 102,200 | \$ 292,000 |
| Worker Comp State Assessment | \$ 260,000 | \$ 140,000 | \$ 400,000 |
| Worker Compensation Retained | \$ 206,400 | \$ 79,600 | \$ 286,000 |
| Property Insurance | \$ 938,457 | \$ 938,457 | \$1,876,914 |
| Property Retained | \$ 55,800 | \$ 194,000 | \$ 249,800 |
| Liability Retained | \$ 51,800 | \$ 25,900 | \$ 77,700 |
| Liability Insurance | \$ 633,874 | \$ 715,664 | \$1,349,538 |
| Total | \$2,973,131 | \$2,538,821 | \$5,511,952 |

| Year 2005 YTD 5/19/05 | Aviation | Seaport | Total Port |
|--------------------------------|--------------------|--------------------|--------------------|
| Risk Management Administration | | 1 | \$1,078,461 |
| Contracted Services | | 1 | \$ 304,975 |
| Worker Comp State Assessment | \$ 200,000 | \$ 140,000 | \$ 400,000 |
| Worker Compensation Retained | \$ 40,000 | \$ 21,000 | \$ 61,000 |
| Property Insurance | \$ 724,718 | \$ 643,256 | \$1,367,974 |
| Property Retained | \$ 21,000 | \$ 6,500 | \$ 27,500 |
| Liability Retained | \$ 10,000 | \$ 6,800 | \$ 16,800 |
| Liability Insurance | \$ 758,633 | \$ 685,283 | \$1,443,916 |
| Total | \$2,713,584 | \$1,987,042 | \$4,700,626 |

Retained Costs Are Variable Costs
That We Try To Control

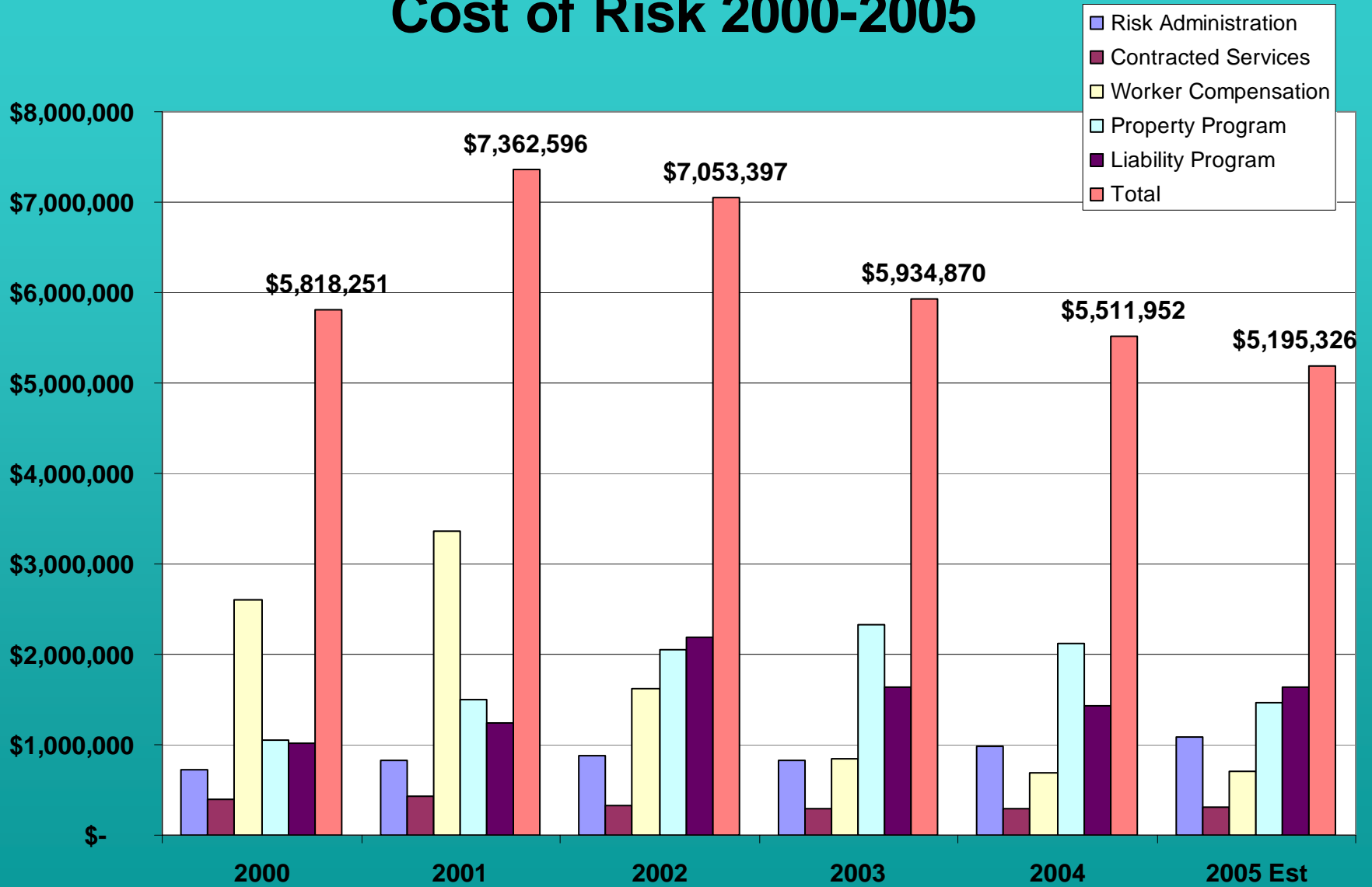
Cost of Risk 2000-2005 Per \$1000 of Revenue



Average 2003 Cost of Risk: Rims Benchmark Survey

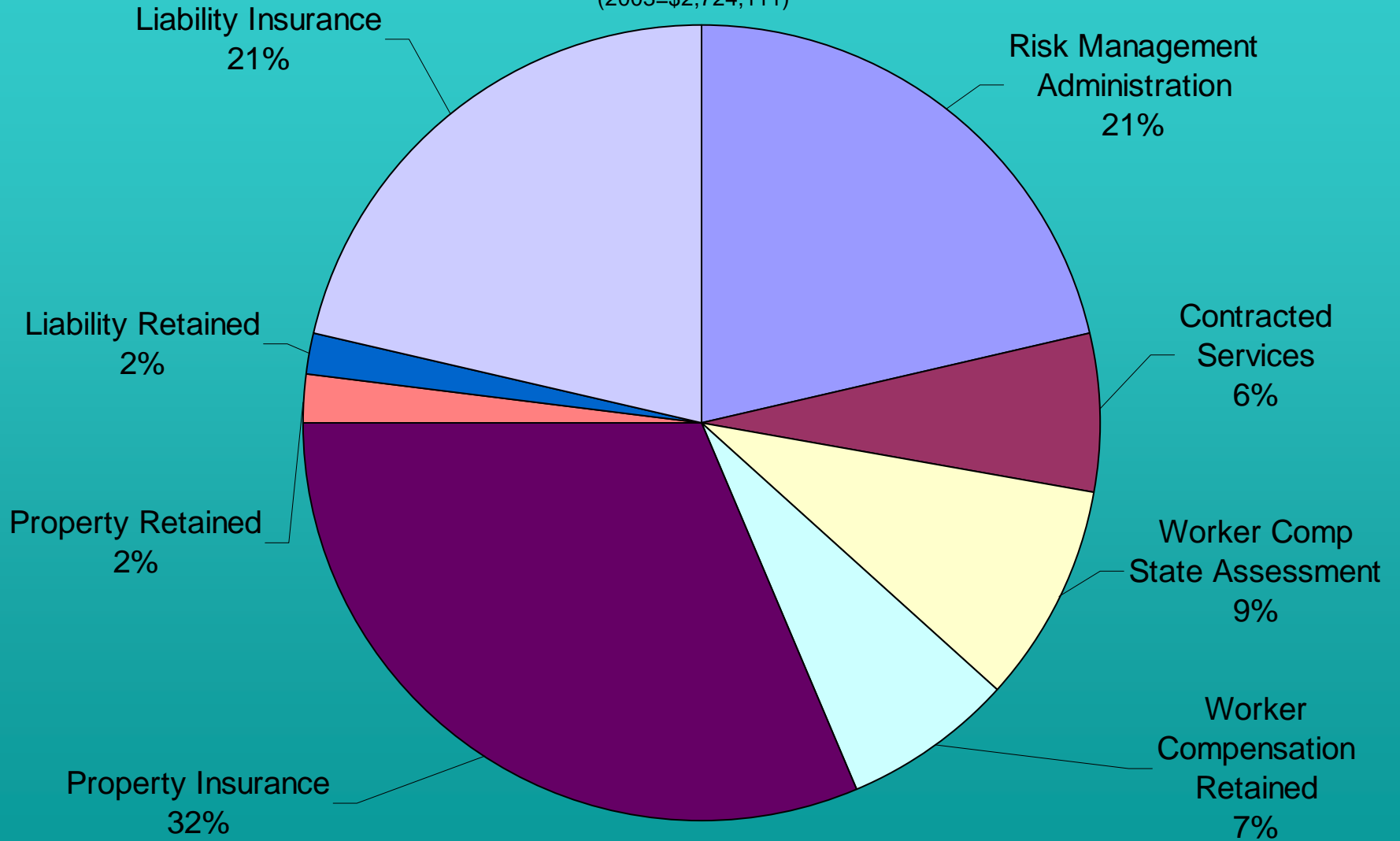
All Industry = \$ 11.96
 Industry with Revenues Between \$ 250 - \$ 500 million = \$ 10.93
 Government and Non-Profits = \$13.12
 Port of Seattle Seaport 2004 = \$29.76
 Port of Seattle Aviation 2004 = \$11.10
 Port of Seattle Total 2004 = \$15.61

Cost of Risk 2000-2005



Seaport Cost of Risk 2004

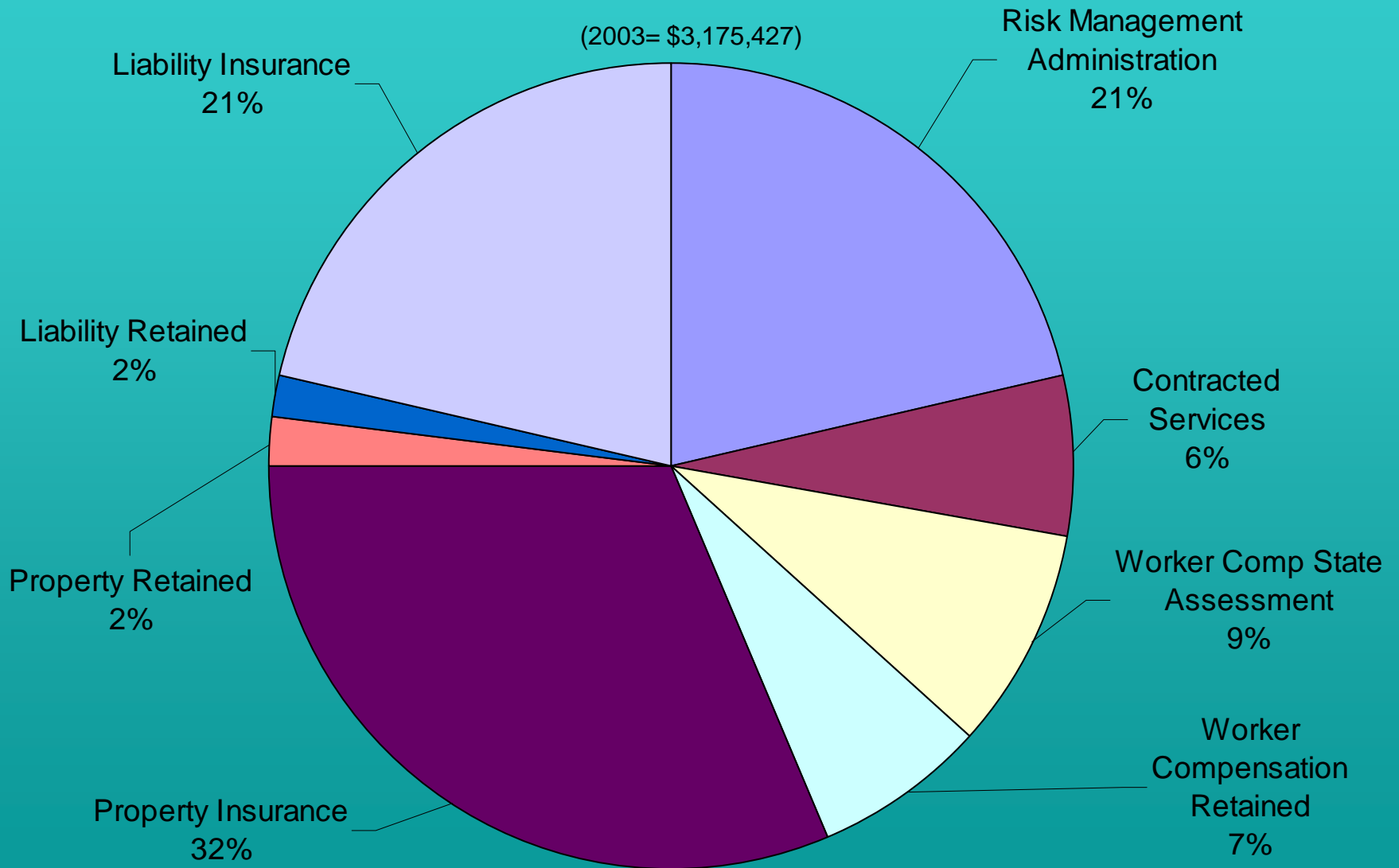
Seaport Total = \$2,538,821
(2003=\$2,724,111)



Aviation Cost of Risk 2004

Aviation Total = \$ 2,973,131

(2003= \$3,175,427)



Reported Incidents/Not Claims

| Aviation | | | | | |
|-----------------|------------------|-----------------|-----------------|-------------------|--------------|
| | Injury/PD | Auto/Bus | Property | Employment | Total |
| 2000 | 321 | 22 | 16 | 1 | 360 |
| 2001 | 295 | 32 | 9 | 2 | 338 |
| 2002 | 244 | 40 | 14 | 2 | 300 |
| 2003 | 240 | 33 | 12 | 7 | 292 |
| 2004 | 249 | 44 | 17 | 5 | 315 |
| 2005 | 74 | 13 | 5 | 1 | 93 |
| Total | 1423 | 184 | 73 | 18 | 1698 |
| Seaport | | | | | |
| | Injury/PD | Auto/Bus | Property | Employment | Total |
| 2000 | 45 | 19 | 72 | 4 | 140 |
| 2001 | 23 | 27 | 52 | 2 | 104 |
| 2002 | 19 | 23 | 9 | 2 | 53 |
| 2003 | 11 | 13 | 13 | 1 | 38 |
| 2004 | 19 | 23 | 19 | 2 | 63 |
| 2005 | 2 | 9 | 3 | 0 | 14 |
| Total | 119 | 114 | 168 | 11 | 412 |

Claim and Premium Costs

| | Aviation Claims | Corporate Claims | Seaport Claims | Total Claims Paid* | Insurance Premium Paid** |
|---------------|----------------------------|-----------------------------|---------------------------|-------------------------------|---|
| 2000 | \$ 245,000 | \$ 50,000 | \$ 166,000 | \$ 461,000 | \$ 1,900,000 |
| 2001 | \$ 113,000 | \$ - | \$ 700,217 | \$ 813,217 | \$ 2,400,000 |
| 2002 | \$ 425,000 | \$ 214,000 | \$ 600,000 | \$ 1,239,000 | \$ 3,620,000 |
| 2003 | \$ 421,000 | \$ 114,000 | \$ 29,000 | \$ 564,000 | \$ 4,000,000 |
| 2004 | \$ 68,000 | \$ 64,000 | \$ 206,000 | \$ 338,000 | \$ 3,500,000 |
| 2005 | \$ 46,000 | \$ 6,000 | \$ 7,000 | \$ 59,000 | \$ 2,900,000 |
| Totals | \$ 1,318,000 | \$ 448,000 | \$ 1,708,217 | \$ 3,474,217 | \$18,320,000 |

*Excludes 2001 Earthquake Claims Paid (Insurance Company Paid Claims ~ \$ 1.1 million)

**Property and Liability Insurance

Share Improvements

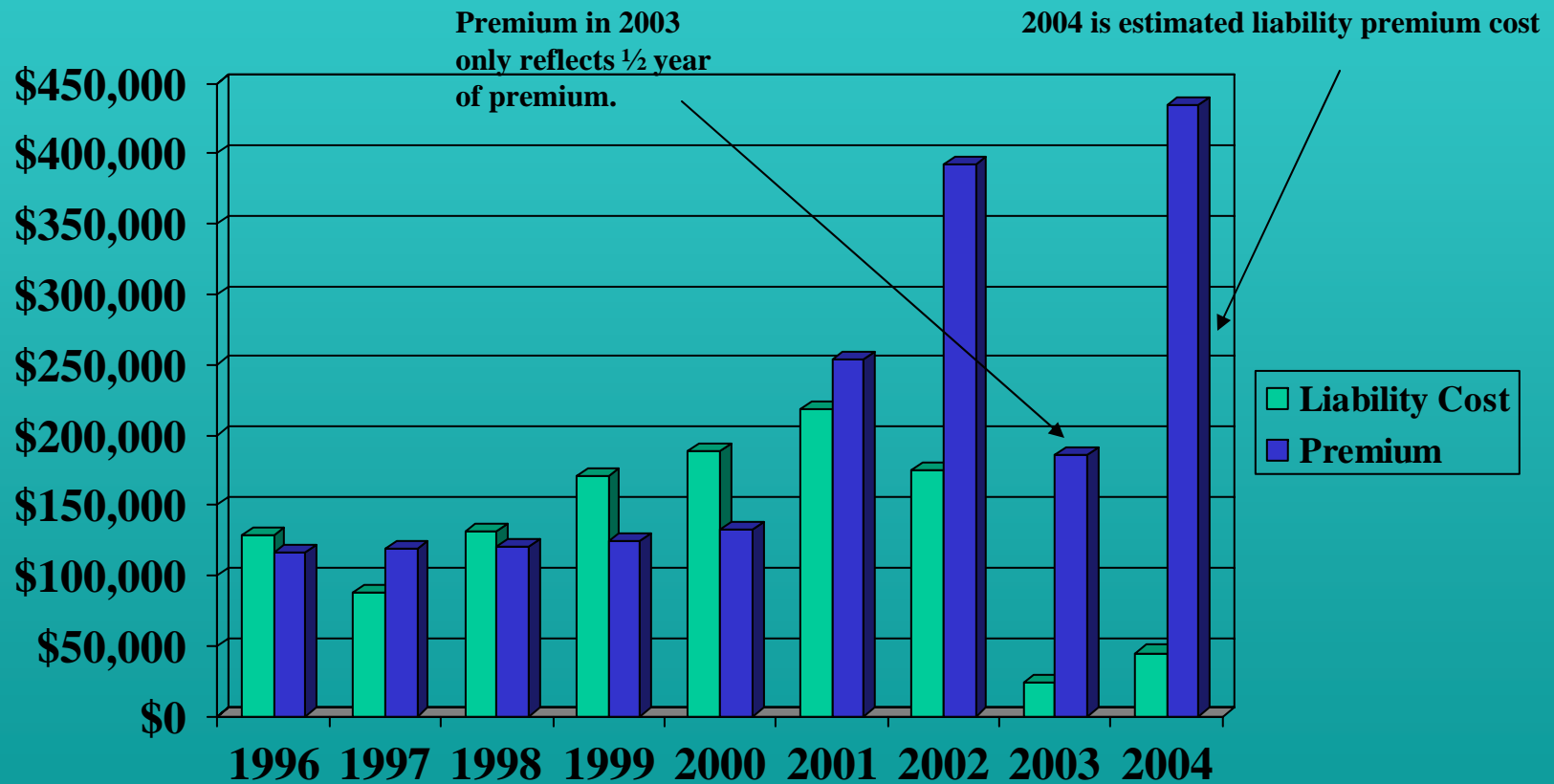
- Good Aviation commitment towards employee safety
 - Safety focus is translating into better control of liability claims
 - Incident rate is down and same with lost work day rate
- No passenger injuries related to cruise traffic at airport
 - Great teamwork between Landside, Maintenance, Project Management, and Risk Management
 - Due to preseason efforts to ensure safety of passengers, liability issues were identified and corrected prior to cruise operations
- Excellent year for landside busing in terms of liability
 - New buses have reduced # of injuries from getting on/off
 - No injury claims in 2004
- Good cooperation between AV-Police and Risk Mgt
 - Police handbook revised, use of force policy refined
 - SWAT team issues and joint liability

Use Data to Justify New Risk Management Programs:

Example: 2003 Port of Seattle Driver Program

- **Port auto liability insurance premium 2002-2003 = \$375,000**
 - Aviation share ~ 60% = \$225,000
 - Port fleet of licensed vehicles = 727 vehicles
- **Port in 2003 Started Self-Insuring First Million of auto liability**
 - Dropped primary coverage
 - All claims handled internally by existing staff
 - Business units directly charged for liability costs
 - Rolled out Formal Port Driver Policy and Incident Procedure
- **On-line briefing required for anyone driving a Port vehicle**
 - Validation of driver's license annually
 - Verify drivers are aware of incident reporting procedures

Insurance Premium vs. Auto Liability Cost



Port Emphasis on Safe Driving To Avoid This !!!



Risk Management 2005 Targets

- Reduce cost of risk by at least 15%
 - All risk cost areas to contribute
 - Claims/Retained Losses (includes worker compensation)
 - Insurance Premium
 - Contracted Services
- Raise collections vs. total auto physical damage costs
 - Requires reducing # of at fault auto accidents
 - Target is set at 90% - Port is currently at about 45%
 - All driving incidents to be reported within 24 hours
 - Driver review and training needs assessment done following incident
- Maintain ratio of Aviation liability claims/events at < 5%
 - Less than 5 new claims in 2005 (liability for property/injury)
- Business Continuity Exercise – Corporate Pier 69

Thanks for Your Attention!

