

American Association of Port Authorities

Port Administration & Legal Issues Seminar

Risk Management Issues



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Risk Management Issues

Introduction

- Climate Change - Flood and Storm Focus
- The Future of Federal vs. Commercial Insurance Solutions

Climate change with a focus on flood and storms

- **Why the concern?**
 - Rising water levels
 - More frequent and intense storms
 - Areas previously not at risk are now, changing the dynamics of your insurance program
- **Lessons learned from recent storms**
 - Emergency Management Preparations
 - Pre-Event Checklist
 - Valuations
 - Claim Best Practices

“Expect the Unexpected”

Climate change with a focus on flood and storms

Emergency Management Preparations:

- Emergency Response Plan (Disaster Plan)
- Emergency Response Committee Approach
- Review of Flood Plain Maps to assist in asset protection strategies (flood elevations)
- Create Pre-Loss Checklist to meet Port's specific needs & objectives
 - Pre-Loss Operations
 - Pre-Loss Safety
 - Evacuation
 - Personnel
 - Storm Preparation & Operations
 - Post Loss Safety
 - Recovery

Climate Change with a focus on flood and storms

Example of Pre-Event Checklist



Climate Change with a focus on flood and storms

Valuations

- Current Statement of Values (SOV) on file with insurers
- Functional Replacement Cost, Actual Replacement Cost, Agreed Values, Debris Removal Only valuation options
- Reflect current valuation of Port's property
- Review contracts to ensure insurance program addresses contractual responsibilities for insuring property)
- Review policy requirements to ensure compliance
- One Location vs. several. How is port viewed by insurer as it impacts limits and deductibles?

Climate Change with a focus on flood and storms

Claim Best Practices

- Create complete and comprehensive claim documentation that can be used to support FEMA claims, insurance claims, grant submissions, loan submissions, and/or for tax purposes
- Reporting
- Inspection
- Increased cost of compliance
- Property Damage for non-cat events
- Tsunami: is this Flood?

NFIP and the Commercial Insurance Marketplace

- FEMA - Federal Emergency Management Agency
- NFIP - National Flood insurance Program
- Federal vs. commercial insurance solutions

NFIP and the Commercial Insurance Marketplace

➤ **NFIP maximum limits for commercial risks**

- \$500,000 Building and \$500,000 Contents
- NFIP deductible levels

➤ **Commercial insurance options**

- Retraction of flood limits by insurers as a response to storm losses
- Cost for Flood coverage capacity increasing
- Flood insurance deductible levels

Climate Change with a focus on flood and storms

NFIP claims issues

- Support from your insurance brokerage claims staff
- Timing – NFIP and/or FEMA can take months to process reimbursement

NFIP and the Commercial Insurance Marketplace

Future of FEMA / NFIP

- Dependent on political will as reflected in federal budgets
- FEMA Strategic Plan 2011 - 2014
- Biggert-Waters Flood Insurance Reform Act 2012 reformed and extended the NFIP for 5 years to September 30, 2017
- NFIP is severely under-funded
- “The NFIP: Status and Remaining Issues for Congress” CRS Report for Members and Committees of Congress Report February 6, 2013
 - Privatization; potentially private reinsurance, private/public partnership with global capital
 - Premium rate structure reform and affordability
 - Program solvency and debt forgiveness
 - Potential for mandatory requirement to purchase Flood coverage to avoid reliance on federal disaster assistance to finance recovery
- Impact on your insurance program

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Questions?

Thank you!



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