American Association of Port Authorities

Port Administration & Legal Issues Seminar

Risk Management Issues

Hugh Wood Inc.
Global Independent Insurance Brokers

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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?
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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
  - 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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