



AGENDA REPORT

PROPOSED ACTION: Resolution: Approve and Authorize the Port of Oakland Risk Manager to Execute all Necessary Documents and to Approve Reasonable Substitutions of Insurers to Renew Port of Oakland Insurance Policies Arranged and Paid Through Prime Insurance Brokers Described Herein, Subject to Minor Adjustments Upon Placement, for a Total Amount not to Exceed \$8,500,000 and Finding that the Proposed Action is Exempt Under the California Environmental Quality Act. **(Finance & Admin)**

Submitted By: Julie Lam, Chief Financial Officer; Kristi McKenney, Executive Director

Parties Involved: See List Below

Amount: Not to Exceed \$8,500,000
(operating expense)

EXECUTIVE SUMMARY: Port of Oakland (Port) Staff is planning for the renewal of various annual property and liability insurance policies (as more specifically listed in the attached Exhibit 1 – Summary of Expiring Insurance and Proposed Insurance Renewals) that expire between May 20, 2025, and July 1, 2025, at a cost expected to be approximately \$8,160,000 but not to exceed \$8,500,000. The insurance coverage is materially the same as last year, except for a property insurance retention increase from \$500,000 to \$2,000,000, as described more fully below. The total cost for renewal policies listed in Exhibit 1 is expected to be approximately \$148,000 less than the amount paid last year. The premiums are projected to decrease approximately 1.8% compared to last year, with further improvement likely.

Parties Involved

Corporate Name/Principal	Location
Alliant Insurance Services (Prime Broker)	San Francisco, CA and Seattle, WA
Alliant Underwriting Services	Thousand Oaks, CA
Marsh Risk & Insurance Services (Prime Broker)	San Francisco, CA
BMS Group Ltd.	London, United Kingdom
RT Specialty	San Francisco, CA
AIG - National Union Fire Insurance Company of Pittsburgh, PA	(New York, NY – Admin) Harrisburg, PA
XL Insurance – Greenwich Insurance Co. (AXA XL)	(Stamford, CT – Admin) Wilmington, DE

Corporate Name/Principal	Location
<p>California Association of Port Authorities (CAPA) Umbrella Excess includes:</p> <p>(1) Aspen American Insurance Co.; (2) Endurance Risk Solutions Assurance Co.; (3) Liberty Mutual Ins. Co.; (4) Lloyd's of London (Various Syndicates); (5) Navigators Ins. Co. (Hartford); (6) Starr Indemnity & Liability Co.; and (7) Validus Specialty Underwriting (Stratford/AIG). CAPA program may also include:</p> <p>(1) Alchemy Underwriting Ltd.; (2) Ascot Insurance U.S.; (3) Berkley Public Entity; (4) Markel Insurance Co.; (5) Beazley Insurance Co.; (6) Canopus Insurance; (7) Convex Group; (8) Great American Insurance Co.; (9) Indigo Insurance Ltd.; (10) Intact Insurance Specialty Solutions; (11) IQUW Group; (12) Lancashire insurance Company Limited; (13) New York Marine and General Insurance Company; (14) StarStone Specialty Insurance Company; (15) United States Fire Insurance Company (Crum & Forster); and (16) Zurich Insurance Group</p>	<p>(1) (San Francisco, CA – Admin) New York, NY; (2) (San Francisco, CA – Admin) New York, NY; (3) (Chicago, IL - Admin) Boston, MA; (4) London, United Kingdom; (5) (Rye Brook, NY – Admin) New York, NY; (6) (New York, NY – Admin) Dallas, TX; and (7) New York, NY. CAPA program insurer locations may also include: (1) London, United Kingdom; (2) (San Francisco, CA – Admin) Chicago, IL; (3) New York, NY; (4) (San Francisco, CA – Admin) Glen Allen, VA; (5) San Francisco, CA; (6) New York, NY; (7) London, United Kingdom; (8) San Francisco, CA; (9) London, United Kingdom; (10) San Francisco, CA; (11) London, United Kingdom; (12) London, United Kingdom; (13) New York, NY; (14) Seattle, WA; (15) (San Francisco, CA – Admin) New York, NY; and (16) San Francisco, CA</p>
<p>Crane Property Program includes:</p> <p>(1) AGCS Marine Insurance Co. (Allianz Ins. Co.); (2) Aspen Specialty Insurance Co.; (3) Axis Surplus Insurance Company; (4) Endurance American Specialty Insurance Company (Sompo); (5) Fast Track (Marsh insurance facility including various Lloyd's of London syndicates); (6) Ironshore Specialty Insurance Company; (7) Lloyd's of London (Various Syndicates including Canopus CNP 4444, Markel 3000, QBE QPS 5555, Travelers 5000 Syndicate and Others); (8) MSIG Specialty Insurance USA, Inc.; (9) Old Republic Inland Marine; and (10) Starr Surplus Lines Ins. Co. Crane Property Program may also include: (1) Crum & Forster Specialty Insurance Company; or (2) National Fire & Marine Insurance Company (Berkshire)</p>	<p>(1) San Francisco, CA; (2) Pasadena, CA; (3) (Los Angeles, CA – Admin) Hamilton, Bermuda; (4) Los Angeles, CA; (5) London, United Kingdom; (6) Boston, MA; (7) London, United Kingdom; (8) New York, NY; (9) Chicago, IL; and (10) Los Angeles, CA. Crane Property Program insurer locations may also include: (1) Morristown, NJ; or (2) Omaha, NE</p>

Corporate Name/Principal	Location
XL Insurance – Indian Harbor Insurance Company (AXA XL)	Stamford, CT
XL Insurance – XL Specialty Co. (AXA XL)	(Stamford, CT – Admin) Wilmington, DE
XL Insurance America, Inc. (AXA XL)	Chicago, IL
Hartford Steam Boiler Inspection and Insurance Company (Munich Re)	Hartford, CT
Munich Re Specialty Group Insurance Services, Inc. (Munich Re)	Miami, FL
AIG Worldsource – The Insurance Company of the State of Pennsylvania	New York, NY
Ironshore Ins. Co.	Hamilton, Bermuda
ACE Ins. Co. – Illinois Union Insurance Co. (Chubb) and ACE American Insurance Co. (Chubb)	(Philadelphia, PA – Admin) Chicago, IL
RSUI Indemnity Co.	Atlanta, GA
Beazley Insurance (Lloyd's of London)	London, United Kingdom
Mt. Hawley Insurance Co.	Los Angeles, CA
Renaissance Re Syndicate 1458	Los Angeles, CA
Arch Specialty Ins. Co.	(New York, NY – Admin) Omaha, NE
Aspen Specialty Insurance Co.	Boston, MA
Markel American Insurance Company	San Francisco, CA
AIG – National Union Fire Insurance Company of Pittsburgh, PA	(New York, NY – Admin) Harrisburg, PA
Great American Insurance Co.	Cincinnati, OH
Federal Insurance Co. (Chubb)	(Warren, NJ – Admin) Indianapolis, IN
Beazley Insurance (Lloyd's of London)	(Los Angeles, CA – Admin) London, United Kingdom
Associated Industries Insurance Co. Inc.	New York, NY
Liberty Surplus Insurance Corp.	New York, NY
Alliant Property Insurance Program ("APIP") includes: (1) Arch Specialty Ins. Co.; (2) Associated Industries Insurance Company Inc.; (3) AXA XL Reinsurance Ltd.; (4) AXIS Surplus Insurance Company; (5) Chubb Bermuda Insurance Ltd.; (6) Convex Insurance UK Limited; (7) Endurance Worldwide Insurance Ltd.; (8) Evanston Insurance Co.; (9) Fidelis Underwriting Limited; (10) Harleysville Insurance Company of New York; (11) Houston Casualty Company; (12) Indian Harbor Insurance Company; (13) Landmark American Insurance Co.	(1) (New York, NY – Admin) Omaha, NE; (2) Boca Raton, FL; (3) Hamilton, Bermuda; (4) Alpharetta, GA; (5) Hamilton, Bermuda; (6) London, United Kingdom; (7) London, United Kingdom; (8) Deerfield, IL; (9) London, United Kingdom; (10) Lynbrook, NY; (11) Houston, TX; (12) Stamford, CT; (13) Atlanta, GA; (14) (Boston, MA – Admin) Wilmington, DE; (15) Boston, MA; (16) London, United Kingdom; (17) (San Francisco, CA – Admin) Toronto, Ontario, Canada; (18) Omaha, NE; (19) Harrisburg, PA; (20) Dublin, Ireland; (21) London, United Kingdom;

Corporate Name/Principal	Location
(RSUI); (14) Lexington Insurance Co.; (15) Liberty Surplus Insurance Corporation; (16) Lloyd's of London (various syndicates); (17) Munich Reinsurance Company of Canada; (18) National Fire and Marine Insurance Co.; (19) National Union Fire Insurance Co.; (20) PartnerRe Ireland Insurance Ltd.; (21) StarStone Specialty Insurance Co.; and (22) United Specialty Insurance Company. APIP may also include: (1) Argenta Holdings Ltd; (2) Old Republic Insurance Co.; (3) RSA Insurance Group Limited; (4) SCOR SE; and (5) XS Global	and (22) (Bedford, TX – Admin) Dover, DE. APIP insurer locations may also include: (1) London, United Kingdom; (2) Chicago, IL; (3) London, United Kingdom; (4) Paris, France; and (5) Miami, FL
Beazley Insurance (Lloyd's of London)	London, United Kingdom
AGCS Marine Ins. Co. (Allianz Ins. Co.)	Chicago, IL

In seeking the Board of Port Commissioner's (Board) approval for insurance in 2024, Port Staff identified the possibility that some of the Alliant Property Insurance Program (APIP) insurance companies could change prior to the July 1, 2024 renewal. As discussed in that prior Agenda Report, here is a listing of any additional insurance companies for the 2024 Policy Year¹. APIP, as a group purchase program, elected to take advantage of quotes from four additional companies to achieve the best possible pricing, which is often made available close to the July 1st renewal date. APIP included the following additional insurance companies for 2024 Policy Year:

Corporate Name/Principal	Location
(1) AXA XL Reinsurance Ltd.; (2) Harleysville Insurance Company of New York; (3) Liberty Surplus Insurance Corporation; and (4) United Specialty Insurance Company	(1) Hamilton, Bermuda; (2) Lynbrook, NY; (3) Boston, MA; (4) (Bedford, TX – Admin) Dover, DE

BACKGROUND & ANALYSIS

The Port purchases commercial insurance policies to cover catastrophic and other losses that cannot prudently be assumed by the Port. In addition, under the terms of the Master Trust Indentures for the Senior Lien Bonds and Intermediate Lien Bonds, the Board is required to procure and maintain commercial insurance or provide qualified self-insurance with respect to Port facilities and operations, in such amounts and against such risks as are, in the judgment of the Board, prudent and reasonable and subject to the condition that insurance is obtainable at reasonable rates and upon reasonable terms and conditions. The insurance policies purchased by the Port cover airport liability, excess liability, general property including business interruption, automobile physical damage

¹ Policy Year refers to the year in which an insurance policy incepts.

and liability, public officials' errors and omissions including employment practices liability, fiduciary liability, fidelity, crane physical damage, war and terrorism, earthquake damage at the Port's Administration Building at 530 Water Street, and excess workers compensation.

Most of the Port's insurance policies are for a term of one year with a renewal date of May 20, June 1, or July 1. Some of the insurance policies purchased by the Port are under group programs with the California Association of Port Authorities (CAPA) and the APIP. These group programs will continue to negotiate with insurers leading up to expiration, which may result in substitutions of insurance carriers to obtain the most favorable terms. This year, the insurance marketplace has increased competition across many lines of coverage, yielding similar ongoing opportunities for improvement beyond the group programs. Port Staff requests that the Board delegate approval of reasonable substitutions of insurance carriers to the Port Risk Manager. Port Staff will report any variation from the insurers listed for all programs in the Agenda Report for the following year's renewal. See Exhibit 1 for the list of proposed policies including insurance carriers, coverage, expiration dates, and estimated renewal premiums compared to the expiring insurance, all of which are subject to relatively minor adjustments upon final placement.

Each year Port Staff explore options to reduce its property insurance premium, which has grown significantly in recent years due to increasing property values. Port Staff explored several options in increasing the APIP retention from the current \$500,000. This year, Port Staff requested pricing options for retentions of \$1,000,000, \$2,000,000, and \$5,000,000. Underwriters provided indications for the reduction the Port could enjoy for accepting these higher retentions as \$138,000 and \$276,000 for the first two options. Underwriters declined to provide a quote for the \$5,000,000 option. The total premium of \$8,160,000, reflects taking advantage of the \$276,000 reduction and moving forward with the increased retention to \$2,000,000. It should be noted that this retention is applied per each occurrence.

While a decrease is already expected this year, it is still prudent for Port Staff to continue to work with brokers to pursue best and final pricing right up to the renewal dates of these policies. Improvement may be achieved in the premium of a few key policies from the quotes reflected in Exhibit 1, by continuing to work with underwriters to appropriately price the risks faced by the Port, and by leveraging competition wherever possible.

Through its insurance brokers, the Port obtained multiple competitive insurance quotes (typically 3 quotes per each type of insurance). The overall premiums quoted are approximately \$8,160,000, which is \$148,000 (or 1.8%) less than last year. This decrease is compared a 16% increase incurred last year over the prior year.

We now see a levelling off in property insurance rates for the upcoming term, in addition to the reduction for accepting a higher retention. Although we have continued to see the sort of natural disasters that drove prior increases, this year we face a market that is already rated to reflect ongoing years of global high losses. The Port's property values have also undergone appraisal updates in recent years, allowing underwriters to be confident they are rating Port insurance on accurate information and do not have to inflate rates to account for underreporting. In addition to the reduction in premium in the APIP program for accepting a higher retention, a reduction of nine 9% is expected for crane all risk insurance.

The quoted premiums and terms leading up to the renewal dates are subject to change based on global and local events impacting the insurance market up until the insurance policies renew (May-July 2025). While no such events are currently known or expected, Board authorization is being requested in an amount not to exceed \$8,500,000.

The following sections provide additional details in key areas:

Earthquake Coverage

Property insurance policies in California do not cover earthquake damage, unless specific coverage is purchased. Currently, the Port purchases the following earthquake coverage:

- about 1/3 of the total value of the 19 insured Port-owned cranes including crane rail and business interruption;
- about 1/12 of the building and contents value and loss of rents at the Port's administration building at 530 Water Street; and
- about 1/2 of the total value of electronic data processing equipment.

Port Insurance Brokers

As described below, the Port uses two prime brokers, small/local brokers/service providers, and participates in two group insurance programs: CAPA Umbrella Excess and the APIP.

Alliant Insurance Services, Inc., Seattle: CAPA Umbrella Excess

Alliant manages the umbrella program for the following CAPA participants: Humboldt Bay & Harbor District, Port of Long Beach, Port of Oakland, Oxnard Harbor District-Port of Hueneme, Port of Redwood City, Port of Stockton, Port of San Diego, and Port of West Sacramento. Participation in this group policy results in a lower premium compared to each port purchasing coverage separately. The insurance includes blended liability coverage for bodily injury and property damage arising out of shore-side and marine risks including ship collision.

Alliant Insurance Services, Inc., San Francisco: APIP

Alliant is the exclusive broker for the largest public agency property insurance program in the United States. This group program was created by Alliant in the 1980s in California and currently has participation across the country. Among the thousands of participants are the City and County of San Francisco (including San Francisco International Airport), the Port of Los Angeles, the Port of San Diego, the Port of Seattle, and Minneapolis-Saint Paul International Airport. This group program provides the Port a broad scope of property insurance at competitive rates. APIP also provides the Port's cyber liability coverage and mobile equipment coverage.

Marsh Risk and Insurance Services, San Francisco: All Other Insurance Policies

Marsh is the prime broker for all insurance policies listed in Exhibit 1, except for CAPA Umbrella Excess and APIP coverage described above.

a. Participation by Small and Local Businesses

20% of the commission received by Marsh (or approximately \$109,393) is returned to the Port and allocated for insurance and risk management related services that can be provided by Port certified small and/or local firms. The Port contracts directly with Port certified small and/or local firms based on the Port's highest insurance-related needs, and in compliance with the Port's Purchasing Ordinance. For Policy Year 2025, anticipated

needs include: (i) health and safety services and supplies; (ii) support services such as tracking insurance certificates received by tenants, vendors, and contractors to ensure compliance with the Port's insurance requirements, and assisting the Port with maintaining claims and insurance documentation; (iii) defense, litigation, and resolution of claims, actions, disputes, and employment matters; (iv) services and supplies in support of the Port's Wellness Program; (v) training for contractors and Port Staff; and (vi) cyber security products and services. Funds remaining from prior year's returns will also be applied to these areas.

The following table is a summary of these sub-broker amounts over the past three years:

	Policy Year 2023	Policy Year 2024	Policy Year 2025
Local Broker Commission	\$96,702	\$105,793	\$102,449
% of Marsh Gross Commission	20%	20%	20%

b. Insurance Broker Compensation

Marsh and Alliant are each compensated solely by commissions paid by the insurance companies. Commissions vary based on the insurance policy and insurance market conditions and typically ranges from 10% to 23% of the premium cost. The estimated insurance brokers' commissions/fees can be found in Exhibit 1. For comparison purposes, Policy Year 2024 commissions/fees are also provided.

For Policy Year 2025, it is estimated that Marsh will receive approximately \$512,447 in commissions from the insurance companies, approximately 14% of the premium placed through Marsh, including taxes/fees, for renewal of the insurance policies it places. Of this amount, small and/or local firms will receive approximately \$102,449, 20% of Marsh's commission. Alliant will receive approximately \$447,695 in commissions, 11% of the premium cost including taxes/fees, for the APIP program². Alliant will also receive an \$8,000 fee, about 2% of the premium cost, for the CAPA program.

² Alliant Underwriting Services, a subsidiary of Alliant, provides certain other services to the insurance carriers and receives compensation for those services from the insurance carriers.

OTHER FINDINGS AND PROVISIONS

ENVIRONMENTAL REVIEW

The proposed action was analyzed under the California Environmental Quality Act (CEQA) and was found to be:

- ☐ Categorically exempt under the following CEQA Guidelines Section:

Choose an item.

- ☒ "Common Sense" exemption under CEQA Guidelines Section 15061(b)(3).
☐ Other/Notes:

BUDGET

- ☐ Administrative (No Impact to Operating, Non-Operating, or Capital Budgets); OR

☒ Operating

☐ Non-Operating

☐ Capital

Analysis: The insurance premiums are budgeted under the Port's Operating Budget, excluding amounts reimbursed by tenants to pay for a portion of the insurance associated with properties and cranes. Although insurance premiums are subject to change based on global and local events impacting the insurance market up until the insurance policies actually renew (May-July 2025), it is anticipated that the insurance premiums will cost approximately \$8,160,000, a decrease of approximately \$148,000 or one and eight tenths of a percent (1.8%) compared to Policy Year 2024 (FY 2025) premium costs. Approximately \$1,074,000 is expected to be reimbursed by Port tenants for a net cost to the Port of approximately \$7,086,000.

STAFFING

- ☒ No Anticipated Staffing Impact.

- ☐ Anticipated Change to Budgeted Headcount.

Reason:

- ☐ Other Anticipated Staffing Impact (e.g., Temp Help).

Reason:

<p><u>MARITIME AND AVIATION PROJECT LABOR AGREEMENT (MAPLA):</u></p> <p><u>Applies?</u> No (Not Aviation or Maritime CIP Project) – proposed action is not covered work on Port's Capital Improvement Program in Aviation or Maritime areas above the threshold cost.</p> <p><input type="checkbox"/> <u>Additional Notes:</u></p>	<p><u>LIVING WAGE</u> (City Charter § 728):</p> <p><u>Applies?</u></p> <p>No (No Covered Agreement) – proposed action is not an agreement, contract, lease, or request to provide financial assistance within the meaning of the Living Wage requirements.</p> <p><input type="checkbox"/> <u>Additional Notes:</u></p>
<p><u>SUSTAINABLE OPPORTUNITIES:</u></p> <p><u>Applies?</u> No.</p> <p><u>Reason:</u> Port staff have reviewed the Port's 2000 Sustainability Policy and did not complete the Sustainability Opportunities Assessment Form. There are no sustainability opportunities related to this proposed action because it does not involve a development project, purchasing of equipment, or operations that presents sustainability opportunities.</p>	<p><u>GENERAL PLAN</u> (City Charter § 727):</p> <p><u>Conformity Determination:</u></p> <p>No Project – conformity determination not required because proposed action does not change use of or make alterations to an existing facility, or create a new facility.</p>
<p><u>STRATEGIC PLAN.</u> The proposed action would help the Port achieve the following goal(s) in the Port's Strategic Plan:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Capture Our Market and Grow the Economic Base <input checked="" type="checkbox"/> Modernize and Upgrade Infrastructure <input type="checkbox"/> Transition to Zero-Emissions and Build Climate Resilience <input checked="" type="checkbox"/> Maximize Land Use Value and Revenues <input type="checkbox"/> Workforce Training and Jobs Development <input type="checkbox"/> Create Opportunities for Local Businesses and Community Economic Development 	