General Session 2: Benchmarking Industry Metrics

Jeff Hollingsworth, Risk Manager

Port of Seattle
Seattle-Tacoma International Airport
Seattle’s early days
Seattle: The Green Gateway

Puget Sound

Source: Herbert Engineering, April 17, 2009; Carbon Footprint Study for the Asia to North America Intermodal Trade

General Session 2: Benchmarking and Industry Metrics
How the Port of Seattle Benefits King County Citizens

- 194,000 jobs
- $17.6 billion in business revenues
- $9.5 billion in income and spending
- $867 million in state and local taxes
General Session 2: Benchmarking and Industry Metrics
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Container Terminal Investment

Terminal 5
Pier 90/91
Pier 86
Pier 66
Terminal 46
Terminal 30
Terminal 18
UPRR (ARGO)
Terminal 5 On-Dock Rail

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Seattle-Tacoma International Airport
Sea-Tac Airport Capital Projects

Central Terminal – new concessions

Largest garage under one roof in North America
Third Runway opened Nov. 2008

16L/34R opened Dec. 2009

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Airport/Seaport Security
Port Seattle Employees
Benchmarking Challenges

- When to Benchmark?
- What Metrics To Use?
  - Create your own metric and then benchmark?
  - Use a “standard” benchmark and match data
- How to Collect the Data?
  - Ask the Right Questions
- Who To Benchmark Against?
  - Yourself year to year
  - “Like” organizations
- Validation of Results?
- What Do You Do with the Results?
Benchmarking Challenges

• **When to Benchmark?**
  - When your Board, Boss, or Commission ask!
  - During insurance renewals
  - Broker request for proposal
  - When considering new programs
    - ERM
    - SMS
    - Social media policy
  - Following a disastrous event – elsewhere
  - A purchase decision such as a RMIS system
    - Risk Management Information System
Benchmarking Challenges

• **What Metric to Use?**
  - Create your own metric and then find others to benchmark.
  - Use a given metric from a source or a peer and match your data.
    - Have an example on Cost of Risk.
Benchmarking Challenges

• **Challenges in Collecting Data?**
  • Difficulty depends on the metric.
  • Risk Manager/Department may not hold or control the components of the metric being asked to benchmark.
    • Legal/litigation costs
    • Outside contracted services
    • Reserves for claims outstanding
  • May have to pull data from several sources and compile in an external spreadsheet
    • Even with a RMIS system.
Benchmarking Challenges

• **Challenges in Collecting Data – Continued?**
  
  • Risk Management department may have moved around functional areas over the years.
  
  • Insurance information, including claim costs may be with brokers or insurance companies no longer around or on current program
  
  • Difficult in benchmarking for new risks, organizational goals, or other programs not done in the past – looking forward.
Benchmarking Challenges

• **Asking the Right Questions – Data Collection?**
  • Insurance benchmarks are often incomplete
    • Deductible
    • Limits
    • Exclusions
    • Line of Coverage
Benchmarking Challenges

• **Who to Benchmark Against?**
  - Peers - Need to define who “your” peers
    - Your ACI – Counterparts in airport risk management
    - Get to know your peers through PRIMA, RIMS, ACI, etc.....
    - Cold calls, web sites, state risk/insurance offices
  - Cities/Counties for certain items
    - Fleet programs
    - Social media policies
    - Drug testing/fit for work
    - SMS implementation (Safety System Management)

• Private sector as well
• Benchmark against yourself year-to-year
Benchmarking Challenges

- **Validation of Results**
  - Do the numbers (if applicable) make sense
  - Is the entity a good “peer”
  - Are their statutory items to consider
    - Tort caps or immunity for liability
- **Workers Compensation**
  - Is your workforce similar?
  - Do you contract out for services?
  - Airports have very different work groups through U.S.
Benchmarking Challenges

• **What Do You Do With Results**
  
  • Insurance renewals
  • Broker selections
  • Present to Board or Boss
    • Tie your metrics to measures your CFO and other senior management tracks
    • Enplanements, operations, full time employees, etc....
  • Use in budget progress reports and proposed annual budget
    • Port of Seattle does quarterly briefings and a formal annual budget for all organizations, including Risk Management
    • Utilize year to year benchmarking
  • ACI Conference Presentations
Cost of Risk Benchmark

Port Cost of Risk (Per $1000 Revenue)

- Port COR/$1000 Rev
- AV - COR (Per Revenue)
- Non-AV COR/$1000 Rev
- Revenue $250 to $300 - RIMS Survey

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• 2009 All Industry = $10.35 (Reference RIMS)
  – Under $1 Billion Revenues = $14.86
  – Greater $1 Billion Revenues = $5.24
  – $250 Million to $500 Million = $12.59
• 2009 Government/Non-Profit (Ranked 7th)
  – $10.64 (Largest Drop in 2009 of 29%)
• Port of Seattle
  – Total = $12.52 (2009) and $10.18 (2010)
  – Aviation = $9.44 (2009) and $8.64 (2010)
# Program Overview

<table>
<thead>
<tr>
<th>Key Indicators</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Automobile Incidents</td>
<td>61 preventable out of 84 total or a 30% increase through November of 2010 (unfavorable)</td>
<td>47 preventable out of 92 total through September of 2009</td>
</tr>
<tr>
<td>Overall Liability Reserves Account 22035</td>
<td>$5.4 Million (Up 4%)</td>
<td>$3.8 Million</td>
</tr>
<tr>
<td>Property Insurance</td>
<td>$1.3 Million</td>
<td>$1.2 Million</td>
</tr>
<tr>
<td>Liability Insurance</td>
<td>$682,000 (up 3%)</td>
<td>$665,000</td>
</tr>
<tr>
<td>Overall Cost of Risk</td>
<td>$10.18 /$1000 Revenue</td>
<td>$12.52/$1000 Revenue</td>
</tr>
</tbody>
</table>

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Year to Year Benchmark

Property Insurance Premium versus Port Insurable Values

- Property Non-EQ Insurance Premium
- Property Value x $1000

General Session 2: Benchmarking and Industry Metrics
General Session 2: Benchmarking and Industry Metrics
<table>
<thead>
<tr>
<th>Year</th>
<th>Actual Liability Claim Cost</th>
<th>Estimate Staff and Admin Cost</th>
<th>On-Line Training Costs</th>
<th>Total Self-Insured Cost</th>
<th>Estimated Liability Insurance Savings</th>
<th>Collections on Physical Damage</th>
<th>Ratio of Cost to Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>$26,000</td>
<td>$75,000</td>
<td>$5,000</td>
<td>$106,000</td>
<td>$186,000</td>
<td>$21,716</td>
<td>57%</td>
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<tr>
<td>2004</td>
<td>$194,000</td>
<td>$75,000</td>
<td>$10,000</td>
<td>$279,000</td>
<td>$390,000</td>
<td>$22,422</td>
<td>72%</td>
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<tr>
<td>2005</td>
<td>$24,000</td>
<td>$100,000</td>
<td>$15,000</td>
<td>$139,000</td>
<td>$425,000</td>
<td>$8,152</td>
<td>33%</td>
</tr>
<tr>
<td>2006</td>
<td>$22,000</td>
<td>$100,000</td>
<td>$15,000</td>
<td>$137,000</td>
<td>$425,000</td>
<td>$6,880</td>
<td>32%</td>
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<tr>
<td>2007</td>
<td>$38,000</td>
<td>$100,000</td>
<td>$20,000</td>
<td>$152,000</td>
<td>$375,000</td>
<td>$20,231</td>
<td>41%</td>
</tr>
<tr>
<td>2008</td>
<td>$90,500</td>
<td>$110,000</td>
<td>$20,000</td>
<td>$220,500</td>
<td>$400,000</td>
<td>$12,030</td>
<td>46%</td>
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<tr>
<td>2009</td>
<td>$30,000</td>
<td>$115,000</td>
<td>$20,000</td>
<td>$165,000</td>
<td>$415,000</td>
<td>$10,000</td>
<td>33%</td>
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<tr>
<td>2010</td>
<td>$10,400</td>
<td>$115,000</td>
<td>$25,000</td>
<td>$150,400</td>
<td>$400,000</td>
<td>$15,000</td>
<td>38%</td>
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<tr>
<td>Total</td>
<td>$435,000</td>
<td>$790,000</td>
<td>$130,000</td>
<td>$1,300,000</td>
<td>$3,016,000</td>
<td>$116,000</td>
<td>43%</td>
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2008 vs 2009 Preventable Incidents
Licensed Vehicles

<table>
<thead>
<tr>
<th>Division</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>SP</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>RE</td>
<td>13</td>
<td>20</td>
</tr>
<tr>
<td>CORP</td>
<td>8</td>
<td>11</td>
</tr>
<tr>
<td>CDD</td>
<td>2</td>
<td>9</td>
</tr>
<tr>
<td>AV</td>
<td>32</td>
<td>22</td>
</tr>
</tbody>
</table>

2009 Preventable Incident Types
- Moving Collision: 40%
- Backing into object or vehicle: 51%
- Port-Rear ends a vehicle: 9%

2009 Preventable Incidents by Division
Benchmarking Takeaways

• Use caution – know your data, your data sources, and validate.
• Get to know your peers at ACI, PRIMA, RIMS
• Know where in your own organization you can pull data
• Be very careful with insurance surveys
• Use indicators to tie metrics that matter to your Sr./Executive Management team