

AGENDA

Port Freeport
Finance Committee
Special Meeting
Thursday, February 20, 2025, 3:00 pm - 4:00 pm
In Person & Videoconference - Administration Building - Freeport

This meeting agenda with the agenda packet is posted online at www.portfreeport.com

The meeting will be conducted pursuant to Section 551.127 of the Texas Government Code titled "Videoconference Call." A quorum of the Finance Committee, including the presiding officer, will be present at the Commissioner Meeting Room located at 1100 Cherry Street, Freeport, Texas. The public will be permitted to attend the meeting in person or by videoconference. The videoconference is available online as follows:

Join Zoom Meeting

<https://us02web.zoom.us/j/81617112727?pwd=oFFBb0bb6PUhiNGFubIBedbfRWafjg.1>

Meeting ID: 816 1711 2727

Passcode: 322405

Dial by your location

• 1 346 248 7799 US (Houston)

Meeting ID: 816 1711 2727

Find your local number: <https://us02web.zoom.us/u/kblwGkJwqL>

1. Committee Members: Giesecke (Chairman), Croft, Kincannon
2. CONVENE OPEN SESSION in accordance with Texas Government Code Section 551.001, et. seq., to review and consider the following:
3. Roll Call.
4. Public Comment. (Public comment on any matter not on this Agenda will be limited to 5 minutes per participant and can be completed in person or by videoconference)
5. Public Testimony. (Public testimony on any item on this Agenda will be limited to 5 minutes per agenda item to be addressed per participant and can be completed in person or by videoconference. The participant shall identify in advance the specific agenda item or items to be addressed.
6. Discussion regarding property insurance coverage renewal.
7. Receive an update regarding the FY2024 Audit and Annual Comprehensive Financial Report.
8. Discussion regarding bids received from Retail Electrical Providers.
9. EXECUTIVE SESSION in accordance with Subchapter D of the Open Meetings Act, Texas Government Code Section 551.001, et. seq., to review and consider the following:
 - A Under authority of Section 551.072 (Deliberation of Real Property Matters) for discussion regarding:
 1. The potential purchase, exchange, lease or value of real property located at Port Freeport, including but not limited to the real property located at and contiguous to Berths 1, 2, 3, 5, 7, 8 and the Upper Stauffer Channel.
 2. The potential lease or value of real property located at Port Freeport, including but not limited to Parcel 1.
10. RECONVENE OPEN SESSION:
11. Adjourn.

The Committee does not anticipate going into a closed session under Chapter 551 of the Texas Government Code at this meeting for any other items on the agenda, however, if necessary, the Committee may go into a closed session as permitted by law regarding any item on the agenda.

With this posted notice, Port Commissioners have been provided certain background information on the above listed agenda items. Copies of this information can be obtained by the public at the Port Administrative offices at 1100 Cherry Street, Freeport, TX.



Phyllis Saathoff, Executive Director/CEO

PORT FREEPORT

Participation is welcomed without regard to race, color, religion, sex, age, national origin, disability or family status. In accordance with Title II of the Americans with Disabilities Act and Section 504 of the Rehabilitation Act, persons with disabilities needing reasonable accommodations to participate in this proceeding, or those requiring language assistance (free of charge) should contact the Executive Assistant no later than forty-eight (48) hours prior to the meeting, at (979) 233-2667, ext. 4326, email: bevers@portfreeport.com.

La participación es bienvenida sin distinción de raza, color, religión, sexo, edad, origen nacional, discapacidad o situación familiar. De acuerdo con el Título II de la Ley de Estadounidenses con Discapacidades y la Sección 504 de la Ley de Rehabilitación, las personas con discapacidades que necesiten adaptaciones razonables para participar en este procedimiento, o aquellas que requieran asistencia lingüística (sin cargo), deben comunicarse con el Asistente Ejecutivo a más tardar cuarenta -ocho (48) horas antes de la reunión, al (979) 233-2667, ext. 4326, correo electrónico: bevers@portfreeport.com.



Executive Summary

March 1, 2025 - 2026

Port Freeport

1100 Cherry Street
Freeport, TX 77541

Arthur J Gallagher Risk Management Services, Inc.

David Thomas Garcia, CPA | Broker Consultant

david_garcia@ajg.com | 713.540.1960

Stephen Richard Whalley | Area Senior Vice President

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Gallagher

Insurance | Risk Management | Consulting

CORE360[®] Executive Summary Scorecard

2025 Total Program Cost - \$2,542,430 for Property, Boiler & Machinery, and Terrorism



- Gallagher negotiated a flat rate on all lines of business.
 - ✓ Markets accepted expiring exposures - \$465.7M Total Insurable Values
 - ✓ Rate was **flat** at \$0.51 per 100.
- Below are the reinsurance rate changes as of 1/1/2025:
 - ✓ “Catastrophe” loss free % change: -10% to 0%
 - ✓ “Catastrophe” loss hit % change: +0% to 15%
 - ✓ “Non Catastrophe” loss free % change: -1% to +1%
 - ✓ “Non Catastrophe” loss hit % change: +0% to 10%
 - ❖ *Gallagher has negotiated a flat renewal which is line with the market*
- “10% Continuity Credit” Reinstated:
 - ✓ Originally set to reinstate in 2026 – 3 years after the 2022 Non-Cat Loss of \$8M.
 - ✓ Gallagher renegotiated the clause to look back only 2 years instead of 3 years.
 - ✓ Upfront continuity credit of **\$223,024.20** allowed in 2025 for low claims bonus.
 - ✓ This means that what we have negotiated **9.31%** rate reduction by changing the continuity credit.

- **2nd Program Option** – Capped “Named Storm” Deductible at \$5M vs Uncapped (Expiring Structure)
 - ✓ Current property program (Option 1) has an uncapped “Named Storm” deductible of 1.5% which equates to \$6,580,707.
 - ✓ **The 2nd property** option caps the “Named Storm” deductible at **\$5M**; equates to 8.9% in additional premium compared to “Option 1” or \$214,285
 - ✓ The entire property premium for Option 1 - \$2,397,594 vs Option 2 - \$2,611,879
- **Risk Tolerance?** - Premium is approximately 12.5% of the potential deductible savings for upcoming year - \$214,285 additional premium for potential savings on deductible of \$1,580,707
- “10% Continuity” Credit available with Option 2:
 - ✓ Upfront Continuity Credit/ Low claims bonus of **\$242,956.99**
 - ✓ Negotiated a \$1.58M reduction in CAT deductible and total premium payable is less than what was paid last year.
 - ✓ After the continuity credit, the savings year over year would be **\$28,671.99**
- 2023 - Gallagher UK & Port Freeport - In Person Tour with 11 London underwriters
 - ✓ QBE (Lead Underwriter), Liberty, Markel, NAVIUM, Beazley, Munich RE, Indigo
 - ✓ AIG, TT Club, Axis, and Allianz



State of the Reinsurance Property Market

Property catastrophe

Pricing moderated down on average, while premium trended up on exposure growth. The top end of excess of loss towers experienced the steepest competition as reinsurers remand focused on loss frequency mitigation.

In the US, reinsurers demonstrated a desire to grow with their core clients and select new partners exhibiting specific characteristics fitting going-forward underwriting strategies. The demand from buyers held largely steady, having reached more of a balance between growth, economic inflation and cost. While there were no meaningful change to purchasing strategies, some buyers did explore coverages that they were priced out of last year.

Loss free programs typically experienced risk-adjusted single digit decreases on average, compared with single digit increases in 2024; loss-impacted programs were more dependent on individual account circumstances and experienced a wider range of outcomes but on average renewed with low teens increases, compared with +35% to +40% the year before.

While capacity remained ample, discussions around view of risk were a core feature during the renewal, following recent loss activity. We expect these conversations will continue into 2025.

After the relative shock of the late renewal at 01.01.23, many cedents brought their books to market earlier this year, and

Per Risk

Per Risk outcomes are typically highly dependent on individual account characteristics, including loss activity and underwriting approach. There were several noticeable trends during 01.01.2025 renewal.

With continued concerns around frequency-driven loss activity, US supply remained constrained despite positive rate movements over the past few years, with only a few reinsurers looking to grow in this segment.

Loss-free programs generally renewed flat to +10%, while loss-impacted renewals average increases of +10% to +20% with wide variability.

United States - Nationwide

- Reinsurers were generally responsive throughout the placement process with timely feedback, pricing indications, and authorized capacity
- Quoting data indicated most reinsurers were looking to hold the line near risk-adjusted flat pricing. However, in some cases, the quoting process unveiled a wide range of pricing perspectives, with certain reinsurers indicating their ability and interest to maintain/grow market share early in the placement process, while other reinsurers sought to push for higher pricing
- Retentions were largely maintained year on year, and lower layers attracted more capacity as reinsurers were looking to defend their capacity higher up in programs. Mid to upper catastrophe layers experienced the largest risk-adjusted decreases
- Property per risk placement outcomes were more dependent on program experience and strength of reinsurer relationships
- Quota share terms generally improved for buyers as the impact of rate and cost sharing mechanisms have strengthened the health of the underlying business
- As the renewal process played out, despite varying views of pricing in the quoting phase, reinsurers looked to support firm order terms with increased capacity and concurrent terms and conditions to achieve desired signings.

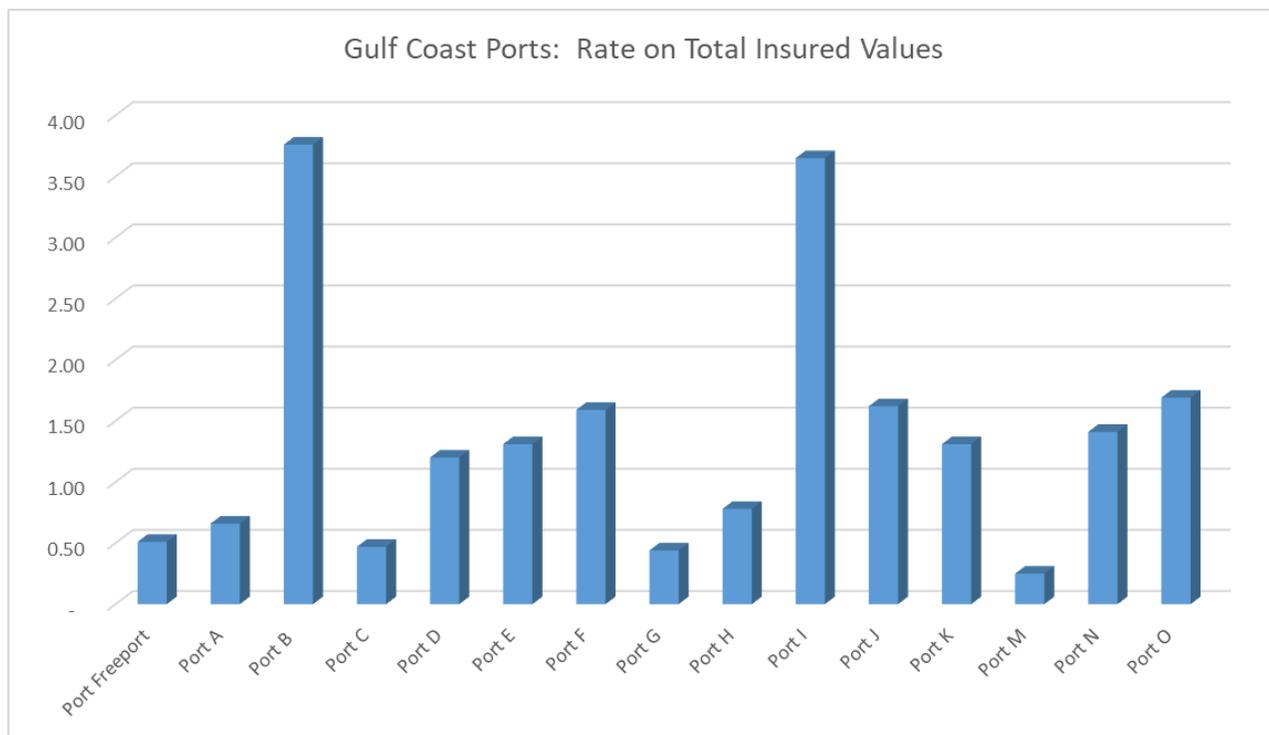
Property Rate Movements

Territory	Pro rata commission	Risk loss-free % change	Risk loss-hit % change	Catastrophe loss-free % change	Catastrophe loss-hit % change
Australia and New Zealand	-1% to +1%	-5% to 0%	+5% to +15%	-7.5% to 0%	N/A
China	-2% to +1%	-10% to -7.5%	+5% to +10%	-20% to -5%	+5% to +20%
Indonesia	0% to +2.5%	-5% to -15%	+5% to +25%	-5% to -15%	N/A
Korea	+5% to +7%	-5% to -15%	N/A	-17% to -25%	N/A
Malaysia	0% to +3%	-10% to 0%	0% to +10%	-10% to +0%	N/A
Taiwan	0% to +3%	-10% to 0%	0% to +10%	-5% to 0%	+5% to +15%
Vietnam	0% to -2%	N/A	N/A	N/A	+5% to +50%
Europe (large programs excl Turkey)	0% to -4%	0% to -10%	0% to +10%	0% to -15%	0% to +10%
Austria	0% to -4%	0% to +2%	+5% to +10%	0% to +2.5%	+10% to +35%
Central and Eastern Europe	0%	0% to +5%	+5% to +20%	-2.5% to +5%	+10% to +20%
France, Benelux	N/A	-5% to 0%	0% to +7.5%	-7.5% to 0%	0% to +5%
Germany	0% to -1.5%	0% to +5%	N/A	-5% to -1%	+10% to +15%
Iberia	0% to -1.5%	0%	+10% to +15%	0% to +2.5%	+3% to +5%
Italy	0%	-3% to +6%	-7% to +3%	-8% to +2%	-7% to +5%
Middle East & Africa	0%	0% to +10%	+15% to +20%	-10% to 0%	+5% to +15%
South Africa	+1% to +2%	0%	+5%	0% to -10%	N/A
Netherlands	0%	-2.5% to +5%	+10% to +20%	-5% to 0%	N/A
Nordic countries	N/A	-10% to 0%	+5% to +25%	-7.5% to 0%	0% to +10%
Switzerland	0% to +1%	0%	N/A	-5% to 0%	N/A
Turkey	0%	0%	+50%	0%	N/A
Latin America and Caribbean	0%	0% to -5%	+10% to +20%	LA: 0% to -7.5% Car: 0% to +10%	N/A
Canada	0%	0% to -5%	0% to +25%	0% to -5%	+10% to +30%
United States - Nationwide	-1% to +1%	0% to +10%	+10% to +20%	-10% to 0%	0% to +15%
United Kingdom	0% to +1%	0%	+5% to +15%	-8% to -10%	N/A

How Port Freeport Compares to Other Gallagher Ports

Port	State	TIV Category	TIV Category Rating	Rate on Total Insured Values
Port Freeport	Texas	250,000,001 - 500,000,000	3	0.51
Port A	Louisiana	500,000,001 - 1,000,000,000	4	0.66
Port B	Florida	50,000,001 - 250,000,000	2	3.76
Port C	Louisiana	1,000,000,001 - 2,000,000,000	5	0.47
Port D	Louisiana	< 50,000,000	1	1.20
Port E	Louisiana	250,000,001 - 500,000,000	3	1.31
Port F	Louisiana	500,000,001 - 1,000,000,000	4	1.59
Port G	Florida	500,000,001 - 1,000,000,000	4	0.44
Port H	Louisiana	50,000,001 - 250,000,000	2	0.78
Port I	Florida	< 50,000,000	1	3.65
Port J	Texas	50,000,001 - 250,000,000	2	1.62
Port K	Florida	50,000,001 - 250,000,000	2	1.31
Port M	Florida	1,000,000,001 - 2,000,000,000	5	0.25
Port N	Texas	50,000,001 - 250,000,000	2	1.41
Port O	Texas	< 50,000,000	1	1.69

Compared with similar Gallagher Ports in the Gulf of Mexico, the “Rate on Total Insured Value” (premium divided by total insurable values), Port Freeport continues to be one of the most competitive at \$0.51 rate.





2025 Insurance Premiums – Option 1

*Uncapped Named Storm Deductible

Option 1: 1.5% Catastrophic Deductible - Uncapped			
Property	2024	2025	Change
Premium	\$2,397,594	\$2,397,594	0.00%
Taxes & Fees	\$118,082	\$117,242	-0.71%
Property Values including Piers, Wharves and BI	\$465,799,337	\$465,799,337	0.00%
Policy Limit	\$50,000,000	\$50,000,000	0.00%
Upfront Continuity Credit - 10%	No	Yes	
Rate per Hundred	\$0.51	\$0.51	0.00%
All Other Peril Deductible	\$100,000	\$100,000	0.00%
Business Interruption - Waiting Period	10 days	10 days	0.00%
Named Storm Deductible - Waiting Period	21 days	21 days	0.00%
Named Storm Deductible - Percentage	1.50%	1.50%	0.00%
Named Storm Deductible - Maximum	\$6,580,707	\$6,580,707	0.00%
Boiler and Machinery			
	2024	2025	Change
Premium	\$9,115	\$9,343	2.50%
Total Insurable Values	\$182,299,347	\$182,299,347	0.00%
Policy Limit	\$150,000,000	\$150,000,000	0.00%
Rate per Thousand	\$0.05	\$0.05	2.50%
Stand Alone Terrorism			
	2024	2025	Change
Premium	\$17,400	\$17,400	0.00%
Taxes and Fees	\$857	\$851	-0.71%
Declared Values	\$465,799,334	\$465,799,334	0.00%
Limit	\$50,000,000	\$50,000,000	0.00%
Rate per Million	\$348	\$348	0.00%
Total Cost			
	2024	2025	Change
Total Premium including Taxes and Fees	\$2,543,047	\$2,542,430	-0.02%
	Change	(\$617)	



2025 Insurance Premiums – Option 2

*\$5M Capped Named Storm Deductible

Option 2: 1.5% Catastrophic Deductible - Capped at \$5M			
Property	2024	2025	Change
Premium	\$2,397,594	\$2,611,879	8.94%
Taxes & Fees	\$118,082	\$127,721	8.16%
Property Values including Piers, Wharves and BI	\$465,799,337	\$465,799,337	0.00%
Policy Limit	\$50,000,000	\$50,000,000	0.00%
Upfront Continuity Credit - 10%	No	Yes	
Rate per Hundred	\$0.51	\$0.56	8.94%
All Other Peril Deductible	\$100,000	\$100,000	0.00%
Business Interruption - Waiting Period	10 days	10 days	0.00%
Named Storm Deductible - Waiting Period	21 days	21 days	0.00%
Named Storm Deductible - Percentage	1.50%	1.50%	0.00%
Named Storm Deductible - Maximum	\$6,580,707	\$5,000,000	-24.02%
Boiler and Machinery			
	2024	2025	Change
Premium	\$9,115	\$9,343	2.50%
Total Insurable Values	\$182,299,347	\$182,299,347	0.00%
Policy Limit	\$150,000,000	\$150,000,000	0.00%
Rate per Thousand	\$0.05	\$0.05	2.50%
Stand Alone Terrorism			
	2024	2025	Change
Premium	\$17,400	\$17,400	0.00%
Taxes and Fees	\$857	\$851	-0.71%
Declared Values	\$465,799,334	\$465,799,334	0.00%
Limit	\$50,000,000	\$50,000,000	0.00%
Rate per Million	\$348	\$348	0.00%
Total Cost			
	2024	2025	Change
Total Premium including Taxes and Fees	\$2,543,047	\$2,767,194	8.81%
	Change	\$224,146	

Your Team

Your Gallagher team is a true partner. We have the expertise to understand your business and we're here to service and stay alongside you, every step of the way.

Name/Title	Phone	Email	Role
Primary Service Team			
Stephen Whalley	713.358.5744 office 832.419.0005 mobile	stephen_whalley@ajg.com	Area Senior Vice President
David Garcia, CPA	713.722.1615 office 713.540.1960 cell	david_garcia@ajg.com	Broker Consultant
James Richardson, BA, ACII	44 (0) 7887 775 427 cell	James_Richardson1@ajg.com	London Executive Director – Ports & Terminals
Peter Blyth	44 (0) 7729 071040 cell	Peter_Blyth@ajg.com	Divisional Director – Ports & Terminals
Leannette Serna	713. 722.1651 office 931.378.2233 mobile	leannette_serna@ajg.com	Senior Client Manager
Claims & Loss Control			
Calvin Carroll	972.663.6180 office	calvin_carroll@ajg.com	Claims Advocate Senior
Patrick Mikel	972.663.6118 office	patrick_mikel@ajg.com	Property Claim Specialist
Troy Guidry	281.655.6770 mobile	troy_guidry@ajg.com	Loss Control Specialist
Ed Zabinski	630.694.5486 mobile	ed_zabinski@ajg.com	Loss Control Managing Director

Thank You for Your Business

We have enjoyed our partnership and appreciate the continued time, support and confidence you have placed in us as your risk management team. This past year has been successful as evidenced by your scorecard. Your total cost of risk is being impacted favorably and our strategy for this upcoming renewal continues to focus on ways to improve this positive impact on your profitability. Thank you.



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MEMORANDUM

TO: Port Commissioners
Chief Executive Officer

FROM: Rob Lowe

DATE: February 13, 2025

SUBJECT: Retail Electrical Provider

Port Freeport, with the assistance of Prism Energy Solutions, has solicited bids from Retail Electrical Providers for the electricity service to the port. Prism Energy Solutions will give us an update on the bidders and process path forward.

PORT COMMISSION

RAVI K. SINGHANIA, CHAIRMAN; **ROB GIESECKE**, VICE CHAIRMAN; **BARBARA FRATILA**, SECRETARY; **KIM KINCANNON**, ASST. SECRETARY;
DAN CROFT, COMMISSIONER; **RUDY SANTOS**, COMMISSIONER; **PHYLLIS SAATHOFF**, EXECUTIVE DIRECTOR/CEO