



METROPOLITAN WASHINGTON AIRPORTS AUTHORITY

**Report to the Business Administration  
Committee  
Information Paper  
Annual Operational Insurance Policy Renewals**

**October 2013**



## Purpose & Background

- Provide information on the annual, October 1 renewal of the Authority's operational insurance policies
- All policies are renewed after extensive risk analysis updates are provided to the Authority's insurance brokers
- Coverage limits and deductible levels are evaluated for prudent financial capacity and appropriateness



## Renewal Highlights

- Operational insurance premiums for October 2013 – September 2014 decreased by 2.7 percent or \$169,126 over the previous 12-month period
  - Total premiums \$6,114,099
  - Premium decrease achieved despite the addition of two new coverages and program enhancements
- Airport Liability premium for \$1 billion liability limit decreased by 11.5 percent or \$83,313
  - Enhancement:
    - War Risk coverage increased from \$150 million to \$750 million



## Aviation Enterprise

- Property premium decreased by 7.3 percent or \$280,569
  - Driven by application of membership credit by insurer and no change in insurance rate
- Workers' Compensation increased by 3.4 percent or \$20,722
  - Driven by increased medical costs and increased wage replacement costs
  - Deductible raised from \$500,000 per occurrence to \$750,000 per occurrence after thorough review of loss history



# New Coverages

- Public Officials Liability (“Side A” Coverage)
  - New policy added as adjunct to Public Officials Liability policy
  - Provides first dollar (zero deductible) defense costs where indemnity may be in dispute
- Nuclear, Biological, Chemical, Radiological (NBCR) Coverage
  - New property policy added to cover NBCR hazards excluded by traditional property insurance policies



# Dulles Corridor Enterprise

- Separate casualty insurance program procured for general liability
- Other Aviation operational insurance coverages extended to the Dulles Corridor Enterprise with costs allocated consistent with approved overhead allocation methodology



## Dulles Corridor Enterprise (cont'd)

- Dulles Toll Road total premiums decreased by 11.6 percent or \$54,522
- Dulles Corridor Metrorail total premiums (non-construction) decreased by 46.5 percent or \$41,624
- Savings generated from auto and general liability renewals



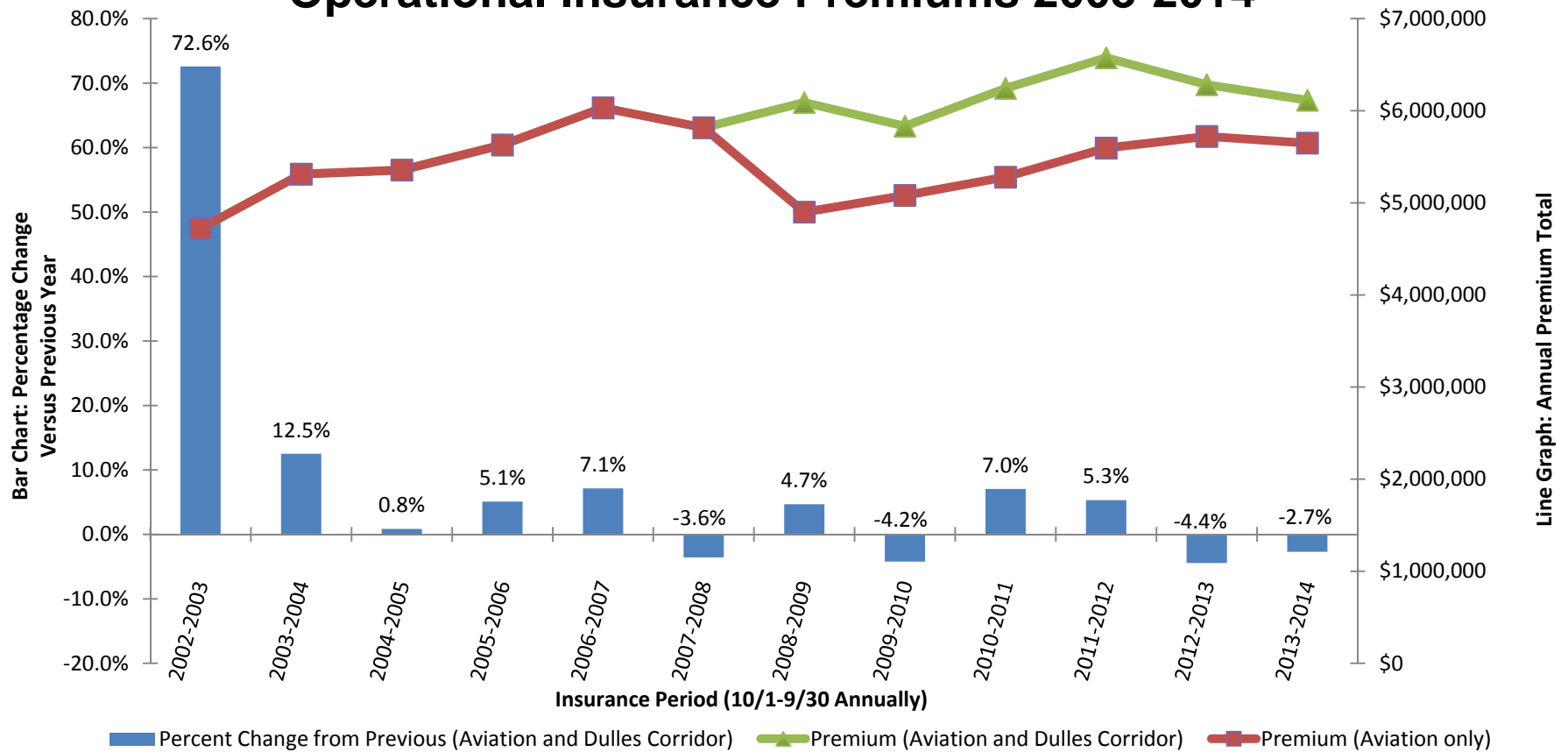
# Operational Insurance Renewal Summary Results

	10/1/12 – 13 Premium	10/1/13 – 14 Premium	Percent Change
Aviation Enterprise	\$5,721,917	\$5,648,937	-1.3%
Dulles Corridor Enterprise	\$561,308	\$445,162	-17.1%
<b>Grand Total</b>	<b>\$6,283,225</b>	<b>\$6,114,099</b>	<b>-2.7%</b>





## Metropolitan Washington Airports Authority Operational Insurance Premiums 2003-2014





Ronald Reagan Washington National Airport



Dulles Corridor Metrorail Project



Dulles Toll Road



Washington Dulles International Airport



METROPOLITAN WASHINGTON  
AIRPORTS AUTHORITY

# **INSURANCE RENEWAL INFORMATION PAPER**

## **BUSINESS ADMINISTRATION COMMITTEE**

### **ANNUAL OPERATIONAL INSURANCE POLICY RENEWALS**

**OCTOBER 2013**

#### **PURPOSE**

This paper provides information on the Metropolitan Washington Airports Authority's (Airports Authority) operational insurance program policy renewals effective October 1, 2013.

#### **BACKGROUND**

The annual renewal of the Airports Authority's property/casualty operational insurance program was executed on October 1, 2013. A comprehensive package of exposure information was submitted by the Risk Management Department, through the Airports Authority's casualty broker, Wells Fargo Insurance Services, Inc., and property broker, Aon Risk Services, Inc., to selected insurance carriers three months prior to expiration of the current program.

Attachment 1 summarizes the 2013-2014 premiums, limits, and deductibles of the operational insurance programs for all property/casualty coverages. In addition, a graph illustrating historical premiums from 2002 to present is included as Attachment 2. A brief summary of the renewal results for the major insurance coverages follows.

#### **Airport Liability**

Airport Liability coverage will again be provided by ACE USA and Lloyd's of London. The \$1 billion limit is consistent with other similar airports and reflects the risk of managing two major, high-profile airports. In accordance with standard Airports Authority practice, alternate quotes with varying deductibles and coverage limits were obtained and analyzed, allowing the Airports Authority to continue its practice of maintaining prudent, cost-effective levels of self-insurance. The deductible remains at \$200,000 per occurrence. The Airport Liability premium apportioned to the Aviation enterprise is down 11.5 percent (\$83,313). The policy's War Risk coverage sublimit was raised from \$150 million to \$750 million. This policy also contains TRIPRA (Terrorism Risk Insurance Program Reauthorization Act of 2007) coverage of \$750 million for terrorist acts.

## **War Risk and Terrorism Coverage**

The TRIPRA and War Risk coverage are two different methods for insuring against the risk of war/terrorism. War Risk provides broader coverage than TRIPRA and has been purchased under the Airport Liability Policy, in addition to TRIPRA coverage. However, War Risk is not available for the property policy so only TRIPRA has been purchased for that policy. By purchasing War Risk and TRIPRA coverage for the liability policy and TRIPRA for the property policy, substantial terrorism coverage is provided for the Authority's interests. TRIPRA, which was signed into law on December 27, 2007, provides a federal backstop for insurance coverage for damages resulting from foreign and domestic acts of terrorism. TRIPRA follows the terms and conditions of the property policy to which it attaches.

TRIPRA was extended for a period of seven years. The act is set to expire on December 31, 2014. It is an important support mechanism for terrorism coverage for the airport industry. The Airports Authority will continue to monitor the Congressional debate surrounding the reauthorization. This has not affected the 2013 renewal but will need to be considered for the 2014 renewal.

## **Nuclear, Biological, Chemical Radiological (NBCR) Coverage**

A customarily excluded peril in the property marketplace is any occurrence involving a Nuclear, Biological, Chemical or Radiological (NBCR) event. The marketplace has recently responded by offering stand-alone primary coverage for a terrorism occurrence stemming from an NBCR event. With this renewal, we are able to obtain NBCR coverage for the first time with a \$10 million limit and a \$500,000 deductible.

## **Vehicle Liability and Physical Damage**

Injuries to third parties and damage to their property are covered under the Airport Liability Policy, and are subject to a deductible of \$200,000 per occurrence.

Vehicle physical damage continues to be primarily self-insured. This is a prudent approach for large fleets. The exception is physical damage for Fire Department vehicles and boats. A specialty program for fire apparatus through the American Alternative Insurance Corporation was established November 12, 2008. This program provides affordable physical damage coverage for Airports Authority fire apparatus, subject to a \$1,000 deductible.

For the 2013 renewal, Airports Authority vehicles associated with the Dulles Toll Road, Metrorail Project, Metrorail OCIP (Owner-Controlled Insurance program) and Aviation OCIP will be covered under the Airport Liability program. The fleet was added to the Airport Liability policy for no additional premium. This change allowed the Airports

Authority to eliminate the Auto Liability policy previously purchased separately for the Dulles Toll Road and Metrorail. The resulting premium savings is \$65,260.

### **Law Enforcement Liability**

XL (Indian Harbor), purchased through the Virginia Association of Counties (VACO), is now in its fifth year of providing law enforcement liability coverage to the Airports Authority. The premium for 2013-2014 decreased 1.6%.

### **Public Officials Liability / Employment Practices Liability**

This portion of the program remains with AIG with the same terms and conditions as the 2012 policy. The policy is subject to a \$1 million per claim retention. Premium for the renewal term increased 0.7%.

### **Public Officials Liability “Side A”**

This new coverage augments traditional Public Officials Liability coverage by adding first dollar (no deductible) defense cost coverage where indemnification may be disputed. Coverage was purchased through XL with a limit of \$10 million.

### **Property**

Property insurance remains with FM Global with a \$1 billion limit and a \$100,000 combined deductible. Despite increased cost of construction factors and new construction coming online, the premium was reduced by \$280,569 due to a membership credit based on FM Global’s excellent overall loss experience in 2012 and no change in insurance rate.

### **Environmental Liability**

Coverage for site pollution was obtained from ACE USA on a three-year policy with the limit increased from \$5 million to \$10 million at renewal. Annual premium increased by \$14,582 due to the increased limit.

### **Workers’ Compensation**

The workers’ compensation coverage was renewed for a fourth year with the Federal Insurance Company (Chubb). A comprehensive analysis of the Airports Authority’s historical loss experience indicated that significant cost savings could be recognized with an increase in the deductible from \$500,000 to \$750,000 per occurrence. The overall premium rate (cost per hundred dollars of payroll) is down 3%. Costs are also driven by annual increases in medical inflation and the increased cost of wage replacement.

## **Network Security & Privacy**

In 2012, the Airports Authority purchased Network Security & Privacy coverage for the first time. The policy provides coverage in the event of a data breach or a release of personally identifiable information. The policy was renewed with ACE USA with the same retention of \$250,000 per claim and a premium increase of \$5,771.

## **Dulles Toll Road & Metrorail**

According to the requirements of the Master Transfer Agreement, a separate casualty insurance program with a limit of \$50 million was purchased on November 1, 2008 for the Dulles Toll Road. In addition to the casualty premium, other Airports Authority operational insurance coverages, where applicable, have been extended to cover similar exposures for the Dulles Corridor Enterprise. Costs of these extensions have been apportioned to the Dulles Corridor Enterprise per approved methodologies. Page 2 of Attachment 1 includes the cost of this insurance coverage for the Dulles Corridor Enterprise.

## **Auto Liability**

As previously reported, the Auto Liability policy was not renewed as this coverage is now included in the Airport Liability policy.

## **General Liability and Umbrella Liability**

The 2013 General Liability program was renewed for a second year with Liberty Mutual with a \$1 million per occurrence limit and \$25,000 retention. The Umbrella Liability Program was renewed for the second year with ACE USA and Great American with a \$50 million limit. As a result of the removal of the auto exposure, the umbrella premium decreased \$42,091, which is partially offset by a \$16,394 increase in the general liability.

## CONCLUSION

### Operational Insurance Renewal Summary Results:

	<b>10/1/12 – 10/1/13 Premium</b>	<b>10/1/13 – 10/1/14 Premium</b>	<b>Percent Change</b>
Aviation Enterprise	\$5,721,917	\$5,648,937	-1.3%
Dulles Corridor Enterprise	\$561,308	465,162	-17.1
<b>Operational Program Total</b>	<b>\$6,283,225</b>	<b>\$6,114,099</b>	<b>-2.7%</b>

New coverages have been added, existing coverages have been enhanced and premiums have been reduced for the 2013-2014 policy period.

Retentions for various lines of coverage remain within the Airports Authority's operational and financial capacity.

The insurance marketplace for major coverages for large, high profile airports continues to be limited, though some new entrants have become active. It remains true that a single catastrophic event at any domestic airport could dramatically impact the availability of major insurance coverages.

Prepared by:  
Office of Business Administration  
Department of Risk Management  
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**OPERATIONAL INSURANCE SCHEDULE - OCTOBER 1, 2013 TO OCTOBER 1, 2014  
AVIATION ENTERPRISE**

Policy	2012-2013 Carrier	2013-2014 Carrier	Limits	Retention / Deductible	2012-2013 Premium	2013-2014 Premium	Percent Change
<b>Airport Liability</b>	ACE USA / Lloyd's of London	ACE USA / Lloyd's of London	\$1,000,000,000	\$200,000	\$636,007	\$551,495	
War/TRIPRA		ACE USA / Lloyd's of London	\$750M/\$750M	\$200,000	\$86,551	\$87,750	
Vehicle Liability (1)	ACE USA	ACE USA	\$50,000,000	\$200,000	Included	Included	
<b>TOTAL AIRPORT LIABILITY PREMIUM</b>					<b>\$722,558</b>	<b>\$639,245</b>	<b>-11.5%</b>
<b>Law Enforcement Liability (2)</b>	Indian Harbor (XL) VACo	Indian Harbor (XL) VACo	\$10,000,000	\$1,000,000	\$76,737	\$75,498	-1.6%
<b>Public Officials Liability and Employment Practices Liability</b>	AIG	AIG	\$10M/\$10M	\$1,000,000	\$229,000	\$222,410	-2.9%
<b>Property (2,3)</b>	FM Global	FM Global	\$1,000,000,000	\$100,000			
Tunnel Collapse			\$1,000,000,000	\$250,000			
Boiler & Machinery			\$1,000,000,000	\$100,000			
Mycrom Turbo System			\$1,000,000,000	\$500,000			
Flood			\$250,000,000	\$500,000			
Earthquake			\$250,000,000	\$100,000			
<b>PROPERTY PREMIUM (w/o terrorism)</b>					\$3,453,052	\$3,547,623	2.7%
<b>Terrorism</b>	FM Global	FM Global	\$1,000,000,000	\$100,000	\$414,365	\$425,714	2.7%
<b>SUBTOTAL PROPERTY PREMIUM</b>					<b>\$3,867,417</b>	<b>\$3,973,337</b>	<b>2.7%</b>
FM Global Membership Credit					\$0	-\$386,489	
<b>TOTAL PROPERTY PREMIUM</b>					<b>\$3,867,417</b>	<b>\$3,586,848</b>	<b>-7.3%</b>
<b>Workers' Compensation/Employers Liability (Includes International WC) (2,3)</b>	Starr/Chubb	Starr/Chubb	VA Statutory	\$750,000	\$613,600	\$634,322	3.4%
<b>Business Travel Coverage (Including Foreign)</b>	AIG	AIG	\$10,000,000	\$100	\$6,906	\$6,906	0.0%
<b>Fiduciary Liability</b>	Chubb	Chubb	\$5,000,000	\$0	\$16,450	\$18,095	10.0%
<b>Crime</b>	AIG	AIG	\$10,000,000	\$75,000	\$25,969	\$25,950	-0.1%
<b>Special Coverage (3 yr. Term 10/11-14. Premium of \$15,212 paid 10/11)</b>	Chubb	Hiscox	\$10,000,000	\$0	\$5,070	\$5,070	0.0%
<b>Pollution (4) (3 yr Term 10/13-16. Premium of \$160,545 due 10/13)</b>	XL-Greenwich Ins. Co.	ACE USA	\$10,000,000	\$100,000/\$250,000	\$38,933	\$53,515	37.5%
<b>Physical Damage Fire Dept. Vehicles &amp; Boats</b>	American Alt. Insurance Corp.	American Alt. Insurance Corp.	Stated Value	\$1,000	\$48,346	\$48,445	0.2%
<b>Network Security &amp; Privacy</b>	ACE	ACE	\$10,000,000	\$250,000	\$70,931	\$76,702	8.1%
<b>AVIATION OPERATIONAL SUBTOTAL TOTAL</b>					<b>\$5,721,917</b>	<b>\$5,393,006</b>	<b>-5.7%</b>
<b>Public Officials Liability - Side A Coverage (5)</b>		XL	\$10,000,000	\$0	<b>New Coverage</b>	<b>\$106,041</b>	
<b>Nuclear, Biological, Chemical &amp; Radiological Coverage (5)</b>		Catlin	\$10,000,000	\$500,000	<b>New Coverage</b>	<b>\$149,890</b>	
<b>AVIATION OPERATIONAL GRAND TOTAL (Subtotal + New Coverages)</b>					<b>\$5,721,917</b>	<b>\$5,648,937</b>	<b>-1.3%</b>

1. Auto coverage for the Dulles Toll Road and Dulles Metrorail Project are now covered under the Airport Liability policy. A portion of the Airport Liability (Vehicle Liability) has been allocated to the Dulles Toll Road and Dulles Metrorail Project and is reflected on the next page.
2. A portion of the premiums for the policies on this page (Property, Workers' Compensation, Law Enforcement Liability, Public Officials & Employment Practices, Public Officials - Side A, and Nuclear, Biological, Chemical & Radiological) has been allocated to cover the Dulles Toll Road exposures and is reflected on the next page.
3. A portion of the premiums for the policies on this page (Property, Workers' Compensation, Law Enforcement Liability, Public Officials & Employment Practices, Public Officials - Side A, and Nuclear, Biological, Chemical & Radiological) has been allocated to cover the Dulles Metrorail Project exposures and is reflected on the next page.
4. A three year Pollution policy was placed for \$160,545. The full premium is due at policy inception. For allocation purposes, the premium has been apportioned annually. The limit of liability has increased from \$5M to \$10M.
5. Public Officials (Side A Coverage) and Nuclear, Biological, Chemical & Radiological are new coverages for the 2013 - 2014 policy term.



**OPERATIONAL INSURANCE SCHEDULE - OCTOBER 1, 2013 TO OCTOBER 1, 2014  
DULLES CORRIDOR ENTERPRISE**

Policy	2012-2013 Carrier	2013-2014 Carrier	Limits	Retention / Deductible	2012-2013 Premium	2013-2014 Premium	Percent Change
<b>Dulles Toll Road Program</b>							
General Liability (1)	Liberty	Liberty	\$1,000,000	\$25,000	\$44,856	\$61,250	36.5%
Auto Liability (2)	Liberty	ACE	\$50,000,000	\$200,000	\$26,220	\$9,750	-62.8%
Umbrella Liability (1)	ACE/Great American	ACE/Great American	\$50,000,000	\$10,000	\$205,126	\$163,035	-20.5%
Allocation from Authority Master Operational (3)					\$195,525	\$183,170	-6.3%
Environmental Liability	ACE	ACE	\$25,000,000	\$100,000	\$0	\$0	
<b>Dulles Toll Road Total</b>					<b>\$471,727</b>	<b>\$417,205</b>	<b>-11.6%</b>
<b>Dulles Corridor Metrorail Program</b>							
Auto Liability	Liberty	ACE	\$50,000,000	\$200,000	\$74,290	\$25,500	-65.7%
Allocation from Authority Master Operational (4)					\$15,291	\$22,457	46.9%
Environmental Liability	ACE	ACE	\$25,000,000	\$100,000	\$0	\$0	
<b>Metrorail Total</b>					<b>\$89,581</b>	<b>\$47,957</b>	<b>-46.5%</b>
<b>DULLES CORRIDOR ENTERPRISE GRAND TOTAL</b>					<b>\$561,308</b>	<b>\$465,162</b>	<b>-17.1%</b>
<b>OPERATIONAL PROGRAM GRAND TOTAL WITH NEW COVERAGES</b>					<b>\$6,283,225</b>	<b>\$6,114,099</b>	<b>-2.7%</b>

1. The Dulles Toll Road General Liability and Umbrella Liability policies also cover the office exposures of the Dulles Corridor Metrorail Program
2. The Dulles Toll Road and Dulles Metrorail Project auto liability coverage is included in the Airport Liability policy. The premium has been allocated to the Dulles Toll Road and Dulles Metrorail Project and is included above.
3. A portion of the premiums for operational policies on the preceding page (Property, Workers' Compensation, Law Enforcement Liability, Public Officials & Employment Practices, Public Officials - Side A, and Nuclear, Biological, Chemical & Radiological) has been allocated to cover Toll Road exposures and is included above.
4. A portion of the premiums for operational policies on the preceding page (Property and Workers Compensation, Public Officials & Employment Practices, Public Officials - Side A, and Nuclear, Biological, Chemical & Radiological) has been allocated to cover the Dulles Metrorail Project exposures and is included above.

## Metropolitan Washington Airports Authority Operational Insurance Premiums 2003-2014

