



**Information Paper**  
**Business Administration Committee**  
**Annual Operational Insurance Policy Renewals**

**October 2012**



- Airports Authority renews annual operational insurance policies October 1 through its insurance brokers
- Coverage limits and deductible levels evaluated for prudent financial capacity and appropriateness
- Operational insurance premiums for October 2012 – September 2013 decreased by 4.2 percent or \$274,988 over the previous 12-month period

# Aviation Enterprise

- Airport Liability premium decreased by 17.3 percent or \$150,779
  - Enhancements:
    - TRIPRA terrorism coverage of \$750 million added
    - Offsite vehicle deductible lowered from \$1 million to \$200,000
- Property premium increased by 3.8 percent or \$139,959
  - Driven by increased cost of construction and newly completed construction

## Aviation Enterprise (cont'd)

- Workers' Compensation increased by 14.3 percent or \$76,887
  - Driven by increased medical costs and increased wage replacement costs
- Network Security & Privacy – New coverage at a cost of \$70,931
  - Provides coverage in the event of a data breach or a release of personally identifiable information
  - \$10 million limit



# Dulles Corridor Enterprise

- Separate casualty insurance program for auto and 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 32.6 percent or \$228,258
  - Successful marketing of auto and general liability to alternate insurer, Liberty Mutual
- Dulles Corridor Metrorail total premiums decreased by 68 percent or \$190,291
  - Environmental Liability premium for 10-year program fully paid in 2011

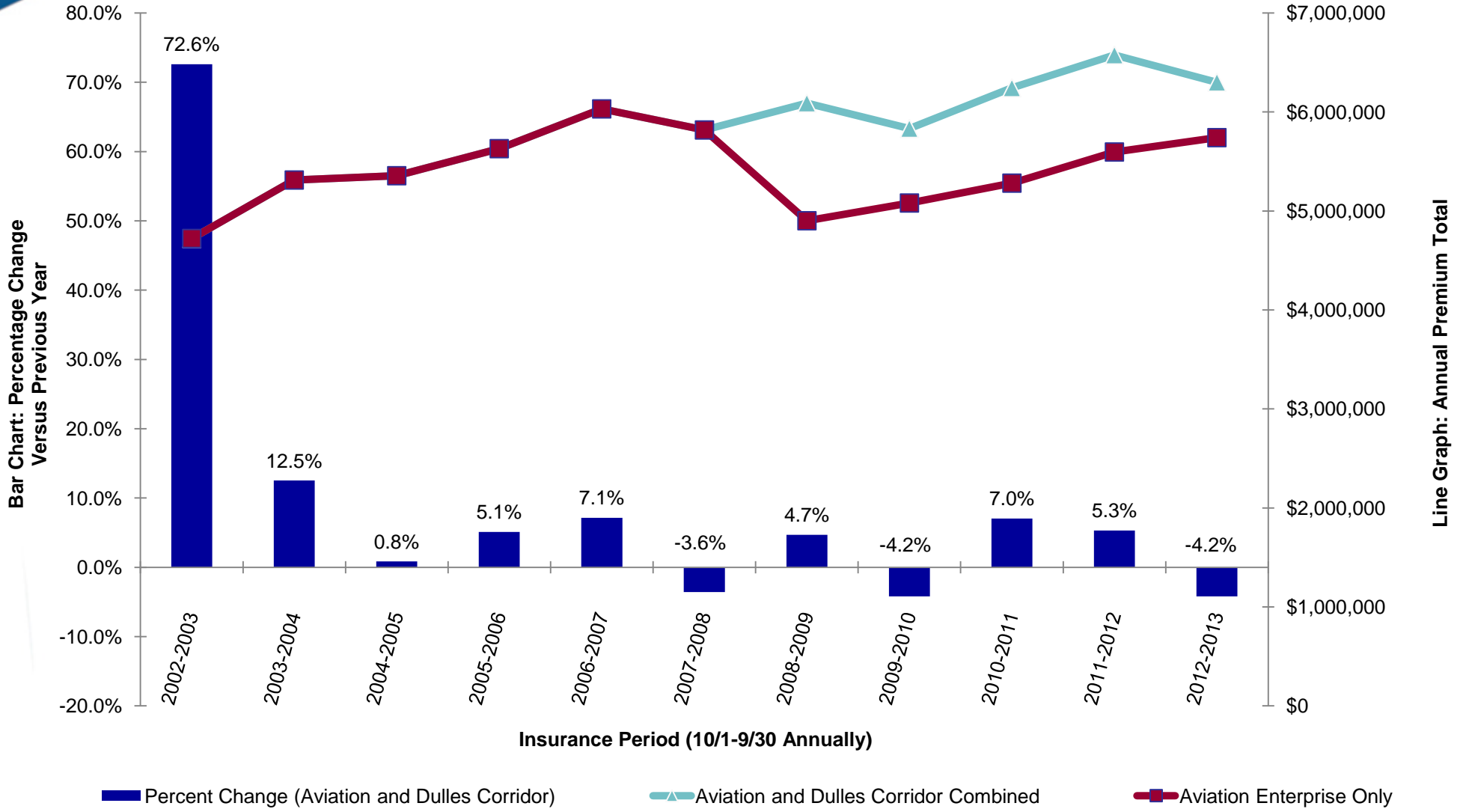


- Operational Insurance Renewal Summary Results:

	10/1/11 – 12	10/1/12 – 13	Percent Change
Aviation Enterprise	\$5,595,464	\$5,739,025	2.6%
Dulles Corridor Enterprise	\$979,857	\$561,308	-42.7%
<b>Grand Total</b>	<b>\$6,575,321</b>	<b>\$6,300,333</b>	<b>-4.2%</b>



## Operational Insurance Premiums, 2002-2012





## **INFORMATION PAPER**

### **BUSINESS ADMINISTRATION COMMITTEE**

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

**OCTOBER 2012**

#### **PURPOSE**

This paper provides information on the Metropolitan Washington Airports Authority's (Airports Authority) operational insurance program policy renewals effective October 1, 2012.

#### **BACKGROUND**

The annual renewal of the Airports Authority's property/casualty operational insurance program was executed on October 1, 2012. 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 2012-2013 premiums, limits, and deductibles of the operational insurance programs for all property/casualty coverages. In addition, a graph illustrating 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 and Lloyd's of London. The \$1 billion limit is consistent with other similar airports and reflects the risk of running 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 total Airports Liability premium is down 17.3 percent (\$150,779). The policy limit for non-War Risk was renewed at \$1 billion. The War Risk coverage sublimit remains the same at \$150 million. Terrorism Risk Insurance Program Reauthorization Act (TRIPRA) terrorism coverage was made available at a very

attractive premium rate for the first time and was secured at a limit of \$750 million. The deductible remains at \$200,000 per occurrence.

### **War Risk and Terrorism Coverage**

The environment for War Risk and Terrorism coverage remains unchanged for the 2012-2013 period. Terrorism Risk Insurance Program Reauthorization Act of 2007 (TRIPRA) and War Risk coverage are two different methods for dealing with the war/terrorism risk. War Risk provides broader coverage than TRIPRA and has been purchased under the Airport Liability Policy, in addition to TRIPRA coverage, which first became affordable for this renewal. War Risk is not available for the property policy so 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. Nuclear, Biological, Chemical and Radiological (NBCR) coverage is provided through the legislation, but the insurance marketplace has not followed suit and offered this coverage. The only viable alternative to secure NBCR coverage is through the London market for stand-alone terrorism policies, which has been cost-prohibitive.

### **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. In previous years, the aviation vehicles while operating offsite were subject to a \$1 million self-insured retention. The program has been changed to a more favorable \$200,000 deductible regardless of location.

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.

## **Law Enforcement Liability**

XL (Indian Harbor), purchased through the Virginia Association of Counties (VACO), is now in its fourth year of providing law enforcement liability coverage to the Airports Authority. The premium for 2012-2013 increased by 5.1 percent (\$3,731) over the 2011–2012 policy period.

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

This portion of the program remains with Chartis with the same terms and conditions as the 2011 policy. The policy is subject to a \$1 million per claim retention. There was no change in pricing for the renewal term.

## **Property**

For the 2012-2013 renewal, FM Global has again offered competitive renewal rates, with no overall premium rate increase. Total dollar premium increased by 3.8 percent (\$139,959), solely due to addition of newly completed construction and application of trending (increased cost of construction) factors of 4 percent for buildings and 3 percent for machinery. This policy includes TRIPRA (terrorism) coverage. FM Global has also offered a successive rate agreement, giving us a flat rate renewal for the 2013-2014 policy year if we choose to renew with them.

## **Workers' Compensation**

The workers' compensation coverage was renewed for a third year with the Federal Insurance Company (Chubb). Ten carriers were approached to solicit proposals for the 2012 program. The majority of carriers declined to quote due to terrorism concerns, concentration of employees or overall class of business. The program was renewed with Chubb with the same \$500,000 deductible. Airports Authority employees are rated in the same category as aviation ground personnel, such as maintenance and service personnel and cargo and baggage handlers. As such, overall insurer rate filings upon which premiums are based include these high-risk categories. Costs are also driven by annual increases in medical inflation and the increased cost of wage replacement. The overall premium is up 14.3 percent (\$76,887).

## **Network Security & Privacy**

For the 2012 term, the Airports Authority purchased Network Security & Privacy coverage. After several months of risk analysis, the Airports Authority decided it was prudent to seek insurance proposals for this line of coverage. The policy selected provides coverage in the event of a data breach or a release of personally identifiable information. A \$10 million policy was placed with the Ace Insurance Company. The policy is subject to a \$250,000 per claim retention. The cost of the annual premium is \$70,931.

## **Dulles Toll Road & Metrorail**

According to the requirements of the Master Transfer Agreement, a separate casualty insurance program with a general liability and auto liability limit of \$50 million was purchased on November 1, 2008 for the Dulles Toll Road. In addition, 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.

## **Environmental Liability**

The Environmental Liability policy was placed in 2010 for a ten year term (08/27/2010-08/27/2020) and was paid for in two installments of \$243,000 in 2010 and 2011. As no further premium is due for the remaining term of the policy, the overall premium savings for this year are \$243,000.

## **General Liability & Auto Liability**

The Dulles Corridor Enterprise program was marketed to several carriers for the 2012 renewal. As a result, the program was moved from Chartis to the Liberty Mutual Insurance Company. It was determined that it was in the best interest of the Airports Authority to place the coverage with Liberty, since it is the same carrier providing coverage for the Airports Authority's Owner-Controlled Wrap Up Insurance Program (OCWIP). Moving the program to Liberty resulted in a premium savings of 50.2 percent (\$146,570).

## **Umbrella Liability**

The program was marketed in conjunction with the primary general liability and auto liability program. The umbrella program was moved from the Lexington Insurance Company to the Ace Insurance Company and the Great American Insurance Company for the 2012-2013 term. The overall premium savings for the excess program was 12.7 percent (\$29,785).

## **CONCLUSION**

Operational Insurance Renewal Summary Results:

	<b>10/1/11 – 10/1/12 Premium</b>	<b>10/1/12 – 10/1/13 Premium</b>	<b>Percent Change</b>
Aviation Enterprise	\$5,595,464	\$5,739,025	2.6%
Dulles Corridor	\$979,857	\$561,308	(-42.7%)
<b>Totals</b>	<b>\$6,575,321</b>	<b>\$6,300,333</b>	<b>(-4.2%)</b>

\*Reflects reductions of \$145,000 in Auto and GL, \$30,000 for Umbrella Liability and \$243,000 in Environmental Liability premiums.

Considerable levels of insurance protection have been maintained, and the retentions for various lines of coverage are within the Airports Authority's operational and financial capacity. Network Security and Privacy coverage and substantial TRIPRA terrorism limits have been added to the insurance portfolio, while still achieving an overall savings of 4.2 percent (\$274,988).

Though the insurance market currently enjoys considerable competition, 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, 2012 TO OCTOBER 1, 2013  
AVIATION ENTERPRISE**

Policy	2011-2012 Carrier	2012-2013 Carrier	Limits	Retention / Deductible	2011-2012 Premium	2012-2013 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	\$792,534	\$636,007	
<b>War Risk</b>	ACE USA		\$150,000,000	\$200,000	\$80,803		
<b>War/TRIPRA</b>		ACE USA / Lloyd's of London	\$150M/\$750M	\$200,000		\$86,551	
<b>Vehicle Liability (Excess Layer) *</b>	ACE USA	ACE USA	\$50,000,000	\$200,000	Included	Included	
<b>TOTAL AIRPORT LIABILITY PREMIUM</b>					<b>\$873,337</b>	<b>\$722,558</b>	<b>-17.3%</b>
<b>Law Enforcement Liability **</b>	Indian Harbor (XL) VACo	Indian Harbor (XL) VACo	\$10,000,000	\$1,000,000	\$73,006	\$76,737	5.1%
<b>Public Officials Liability and Employment Practices Liability</b>	Amer. Int'l Specialty (Chartis)	Amer. Int'l Specialty (Chartis)	\$10,000,000	\$1,000,000	\$229,000	\$229,000	0.0%
<b>Property **</b>	FM Global	FM Global	\$1,000,000,000	\$100,000			
<b>Tunnel Collapse</b>			\$1,000,000,000	\$250,000			
<b>Boiler &amp; Machinery</b>			\$1,000,000,000	\$100,000			
<b>Mycom Turbo System</b>			\$1,000,000,000	\$500,000			
<b>Flood</b>			\$250,000,000	\$500,000			
<b>Earthquake</b>			\$250,000,000	\$100,000			
<b>PROPERTY PREMIUM (w/o terrorism)</b>					\$3,307,270	\$3,453,052	4.4%
<b>Terrorism</b>	FM Global	FM Global	\$1,000,000,000	\$100,000	\$420,188	\$414,365	-1.4%
<b>TOTAL PROPERTY PREMIUM</b>					<b>\$3,727,458</b>	<b>\$3,867,417</b>	<b>3.8%</b>
<b>Workers' Compensation/Employers Liability (Includes Employer's Liability &amp; International WC) **</b>	Starr/Chubb	Starr/Chubb	VA Statutory	\$500,000	\$536,713	\$613,600	14.3%
<b>Business Travel Coverage (Including Foreign)</b>	Chartis	Chartis	\$10,000,000	\$100	\$7,097	\$6,906	-2.7%
<b>Fiduciary Liability</b>	Chubb	Chubb	\$5,000,000	\$0	\$15,675	\$16,450	4.9%
<b>Crime</b>	National Union Fire (Chartis)	National Union Fire (Chartis)	\$10,000,000	\$75,000	\$25,782	\$25,969	0.7%
<b>Special Coverage (3 yr. Term 10/01/2011 - 10/1/14 Premium of \$15,212 paid 10/1/11)</b>	Chubb	Hiscox	\$10,000,000	\$0	\$5,070	\$5,070	0.0%
<b>Pollution (2 yr Term 10/01/11 - 10/1/13, 2 yr. Premium \$77,866 paid 10/1/11)</b>	XL-Greenwich Ins. Co.	XL-Greenwich Ins. Co.	\$5,000,000	\$100,000/\$250,000	\$38,933	\$38,933	0.0%
<b>Physical Damage *** Fire Dept. Vehicles &amp; Boats (Premium 11/12/12 - 13 estimated)</b>	American Alternative Insurance Corp.	American Alternative Insurance Corp.	Stated Value	\$1,000	\$63,393	\$65,454	3.3%
<b>Network Security &amp; Privacy ****</b>	None	ACE	\$10,000,000	\$250,000	New Coverage	\$70,931	
<b>AVIATION OPERATIONAL GRAND TOTAL</b>					<b>\$5,595,464</b>	<b>\$5,739,025</b>	<b>2.6%</b>

\* The off-premises Auto Liability deductible has been lowered from \$1,000,000 to \$200,000 for the 2012 policy term.

\*\* A portion of the operational policy premiums on this page (Property, Workers' Compensation, Law Enforcement Liability) has been allocated to cover both the Dulles Metrorail Project and/or the Dulles Toll Road exposures on the next page and is not included in the above figures.

\*\*\* The physical damage estimated premium is for the annual period 11/12/2012 - 11/12/2013. The policy expiration date is being changed to 10/1/2013 to correspond with the renewal date of all other lines of coverage. The actual 11 month policy premium is estimated to be \$60,000.

\*\*\*\* Network Security & Privacy is a new coverage proposed for the 10/1/2012 - 10/1/2013 policy term.

**OPERATIONAL INSURANCE SCHEDULE - OCTOBER 1, 2012 TO OCTOBER 1, 2013  
DULLES CORRIDOR ENTERPRISE**

Policy	2011-2012 Carrier	2012-2013 Carrier	Limits	Retention / Deductible	2011-2012 Premium	2012-2013 Premium	Yr. to Yr. Percent Change
<b>Dulles Toll Road Program *</b>							
General Liability **	Lexington (Chartis)	Liberty	\$1,000,000	\$25,000	\$244,845	\$44,856	-81.7%
Auto Liability	Granite State (Chartis)	Liberty	\$1,000,000	\$0	\$15,060	\$26,220	74.1%
Umbrella Liability **	Lexington (Chartis)	ACE/Great American	\$50,000,000	\$10,000	\$234,911	\$205,126	-12.7%
Allocation from Authority Master Operational Environmental Liability ***	ACE USA	ACE USA	\$25,000,000	\$100,000	\$196,162	\$195,525	-0.3%
<b>Dulles Toll Road Total</b>					<b>\$699,985</b>	<b>\$471,727</b>	<b>-32.6%</b>
<b>Dulles Corridor Metrorail Program ****</b>							
Auto Liability	Granite State (Chartis)	Liberty	\$1,000,000	\$0	\$32,028	\$74,290	132.0%
Allocation from Authority Master Operational Environmental Liability ***	ACE USA	ACE USA	\$25,000,000	\$100,000	\$13,427	\$15,291	13.9%
<b>Metrorail Total</b>					<b>\$279,872</b>	<b>\$89,581</b>	<b>-68.0%</b>
<b>DULLES CORRIDOR ENTERPRISE GRAND TOTAL</b>					<b>\$979,857</b>	<b>\$561,308</b>	<b>-42.7%</b>
<b>OPERATIONAL PROGRAM GRAND TOTAL</b>					<b>\$6,575,321</b>	<b>\$6,300,333</b>	<b>-4.2%</b>

\* A portion of the policy premiums for operational policies on the preceding page (Property, Workers' Compensation, Law Enforcement Liability) has been allocated to cover Toll Road exposures and is included above.

\*\* The Dulles Toll Road General Liability and Umbrella Liability policies also covers the Dulles Corridor Metrorail Program

\*\*\* New environmental policy effective 8/27/10 to 8/27/20. Premium for 10 year policy is paid 50 percent (\$234,417 for The Dulles Corridor Metrorail and \$9,007 for Dulles Toll Road) in October 2010 and 50 percent in October 2011. No additional premium payable for remainder of term. Dulles Toll Road and Dulles Corridor Metrorail exposures are combined within the \$25 million limit.

\*\*\*\* A portion of the policy premiums for operational policies on the preceding page (Property and Workers Compensation) have been allocated to cover the Dulles Metrorail Project exposures and is included above.

## Metropolitan Washington Airports Authority Operational Insurance Premiums, 2002-2012

