



Information Paper
Business Administration Committee
Annual Operational Insurance Policy Renewals

October 2014



Purpose & Background

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

Renewal Highlights

- Insurance premiums for October 2014 – September 2015 decreased by 5.6 percent or \$349,072 over the previous 12-month period
 - Total premiums \$5,920,441
- Property premium decreased by 6.8 percent or \$260,202
- Airport Liability premium remains unchanged for \$1 billion liability limit
- Workers' Compensation increased by 10.6 percent or \$63,003

Renewal Highlights

- Nuclear, Biological, Chemical, Radiological premium decreased by 21.5 percent or \$34,306
- Public Officials Side A Management Liability premium increased 5 percent or \$5,500
 - Provides Directors and Officers with first dollar defense cost coverage where indemnification may be disputed
- Network Security & Privacy premium increased 8.1 percent or \$6,210
- Dulles Corridor Enterprise general liability premium increased 1.4 percent or \$3,038



Insurance Renewal Summary Results

	10/1/13 – 14 Premium	10/1/14 – 15 Premium	Percent Change
Property Program	\$3,971,474	\$3,676,966	-7.4%
Casualty Program	\$2,298,039	\$2,243,475	-2.4%
Grand Total	\$6,269,513	\$5,920,441	-5.6%



Ronald Reagan Washington National Airport



Dulles Corridor Metrorail Project



Dulles Toll Road



Washington Dulles International Airport



METROPOLITAN WASHINGTON
AIRPORTS AUTHORITY

**INFORMATION PAPER FOR THE
BUSINESS ADMINISTRATION COMMITTEE
ANNUAL OPERATIONAL INSURANCE POLICY RENEWALS
OCTOBER 2014**

PURPOSE

This paper provides information on the Metropolitan Washington Airports Authority's (Airports Authority) property and operational casualty insurance program insurance policy renewals effective October 1, 2014.

BACKGROUND

The annual renewal of the Airports Authority's property/casualty operational insurance program was executed on October 1, 2014. 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 property program and Attachment 2 summarizes the casualty program. A brief summary of the renewal results for the insurance coverages follows.

Property

Property insurance remains with FM Global with a \$1 billion limit and a \$100,000 combined deductible. Despite the increased cost of construction factors and a 2 percent increase in Total Insured Value from new construction coming online, the premium was reduced by 6.8 percent due to a 20-year membership credit which is based on FM Global's excellent overall loss experience in 2013.

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. This coverage was placed for the first time in 2013 and

renewed at the same coverage limits and deductibles with a 21.5 percent decrease in premium.

Airport Owners and Operators 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. The policy renewed at the same coverage limits and deductibles with no change in premium.

Workers' Compensation

The workers' compensation coverage was renewed for a fifth year with the Federal Insurance Company (Chubb) with an increase in premium of 10.6 percent. The overall premium rate (cost per hundred dollars of payroll) is up 8 percent and payroll increased by 2 percent. Costs are also driven by annual increases in medical inflation and the increased cost of wage replacement.

Law Enforcement Liability

Indian Harbor (XL), purchased through the Virginia Association of Counties (VACO), is now in its sixth year of providing law enforcement liability coverage to the Airports Authority. The policy renewed at the same coverage limits and deductible with an increase in premium of 4.3 percent.

Public Officials Liability / Employment Practices Liability

The combined Public Officials and Employment Practices Liability policy renewed with AIG at the same coverage limits and deductible with an increase in premium of 5.1 percent.

Public Officials Side A Management Liability

The Side A Management Liability was first purchased in 2013 and augments traditional Public Officials Liability coverage by adding first dollar (no deductible) defense cost coverage where indemnification may be disputed. The policy renewed with XL at the same coverage limits and deductible with an increase in premium of 5 percent.

Fiduciary Liability

The Fiduciary Liability policy renewed with Chubb at the same coverage limits and deductible with no change in premium.

Crime

The Crime policy renewed with AIG at the same coverage limits and deductible with an increase in premium of 3.1 percent.

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 renewed with ACE USA at the same coverage limits and deductible with an increase in premium of 8.1 percent.

Business Travel Accident

The Business Travel Accident policy was purchased in 2012 for a three-year term with AIG and premium payments are made in annual installments. This policy will renew in 2015.

Special Coverage

This special coverage policy renewed with Hiscox for an additional three-year term at the same coverage limits and deductibles with no change in premium.

Environmental Liability

The Environmental Liability policy to cover site pollution was placed with ACE USA for a three-year term in 2013 with the entire premium paid in 2013. This policy will renew in 2016.

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 (AAIC) was established November 12, 2008. This policy provides affordable physical damage coverage for Airports Authority fire apparatus, subject to a \$1,000 deductible. The policy renewed with AAIC at the same coverage limits and deductible with a 5.6 percent decrease in premium.

In 2013, all Airports Authority vehicles regardless of the business enterprise were covered under the Airport Liability policy for no additional premium. In 2014, this is unchanged, allowing the Airports Authority to continue not having to purchase a separate Auto Liability policy for the Dulles Corridor Enterprise.

Dulles Corridor Enterprise

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. The 2014 General Liability program was renewed at the same coverage limits and deductible with an increase in premium of 1.4 percent. 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.

CONCLUSION

Property and Operational Casualty Insurance Program Renewal Summary Results:

	10/1/13 – 10/1/14 Premium	10/1/14 – 10/1/15 Premium	Percent Change
Property Program	\$3,971,474	\$3,676,966	-7.4%
Casualty Program	\$2,298,039	\$2,243,475	-2.4%
Insurance Program Total	\$6,269,513	\$5,920,441	-5.6%

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
October 2014

**Metropolitan Washington Airports Authority
Property Insurance Program Renewal
October 2014-2015**

Line of Business	Carrier	2014 Limits	2014 Retentions	2013 Premium	2014 Premium	% Change (Premium)
Property (includes Builders Risk)	FM Global	\$1,000,000,000	\$100,000	\$3,770,479	\$3,754,549	-0.4%
Terrorism	FM Global	\$1,000,000,000	\$100,000	\$452,457	\$430,857	-4.8%
20-year Membership Credit (15%)				-\$410,768	-\$633,440	
				\$3,812,168	\$3,551,966	-6.8%
Nuclear, Biological, Chemical & Radiological Coverage (includes Builders Risk)	Catlin	\$10,000,000	\$500,000	\$159,306	\$125,000	-21.5%
Total Premiums				\$3,971,474	\$3,676,966	-7.4%
					-\$294,508	

Notes:

Total Insured Value increased 2% over 2013 value.

**Metropolitan Washington Airports Authority
Operational Casualty Insurance Program Renewal
October 2014-2015**

Line of Business	Carrier	2014 Limits	2014 Retentions	2013 Premium	2014 Premium	% Change (Premium)
Airport Owners and Operators Liability	ACE/Lloyd's	\$1,000,000,000	\$200,000	\$621,924	\$621,888	0.0%
War/TRIPRA	ACE/Lloyd's	\$750,000,000	\$200,000	\$98,633	\$98,633	0.0%
Workers' Compensation (includes International WC)	Starr/Chubb	VA Statutory	\$750,000	\$594,000	\$657,003	10.6%
Law Enforcement Liability	XL	\$10,000,000	\$1,000,000	\$79,472	\$82,889	4.3%
Public Officials (D&O / EPL)	AIG	\$20,000,000	\$1,000,000	\$230,713	\$242,400	5.1%
Public Officials (Side A)	XL	\$10,000,000	\$0	\$110,000	\$115,500	5.0%
Fiduciary Liability	Chubb	\$5,000,000	\$50,000	\$18,095	\$18,095	0.0%
Crime	AIG	\$10,000,000	\$75,000	\$25,950	\$26,749	3.1%
Network Security & Privacy	ACE	\$10,000,000	\$250,000	\$76,702	\$82,912	8.1%
Business Travel Accident 3-yr term 10/2012-2015 Premium paid in annual installments	AIG	\$1,000,000	\$0	\$6,907	\$6,907	0.0%
Special Coverage 3-yr term 10/2014-2017 Premium was \$15,212 paid in 2011	Hiscox	\$10,000,000	\$0	\$0	\$15,212	0.0%
Environmental Liability 3-yr term 10/2013-2016 Premium was \$160,545 paid in 2013	ACE	\$10,000,000	\$100,000	\$160,545	\$0	
Physical Damage Fire Dept Vehicles & Equipment	American Alternative	Stated Value	\$1,000	\$50,814	\$47,965	-5.6%
Toll Road & Rail Phase 1 Pollution 10-yr term 8/2010-2020 Premium was \$730,271 paid in 2010	ACE	\$25,000,000	\$100,000	\$0	\$0	
Toll Road & Rail General Liability	Liberty ACE Great American	\$51,000,000	\$25,000	\$224,285	\$227,323	1.4%
Total Premiums				\$2,298,039	\$2,243,475	-2.4%
					-\$54,564	

Notes:

Premiums include VA Surplus Lines Tax and Assessment Fee, as applicable.