



**AIRPORTS COUNCIL
INTERNATIONAL**

ACI-NA Phase II: Concessionaires Survey

September 2008

**ACI-NA Insurance and Risk Management Committee
ACI-NA Economic Affairs Department**

TABLE OF CONTENTS

EXECUTIVE SUMMARY.....	4
BACKGROUND	5
SURVEY RESULTS	5
Limits Type I	6
General Requirements Type I	11
APPENDIX 1: FAA DEFINITION OF AIRPORT CATEGORIES.....	17
APPENDIX 2: SURVEY SAMPLE.....	18
APPENDIX 3: SURVEY QUESTIONNAIRE	19
APPENDIX 4: ABOUT THIS SURVEY.....	21

TABLES

<i>Table 1: Sample Distribution</i>	5
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FIGURES

<i>Figure 1: Restaurant and Retail</i>	6
<i>Figure 2: General Terminal Space</i>	8
<i>Figure 3: Off-site Warehouse or Other Space/Property</i>	10
<i>Figure 4: Agreement Specifies that Commercial General Liability Insurance Includes Bodily Injury and Property Damage</i>	11
<i>Figure 5: Agreement Specifies Commercial General Liability Coverage for Products and Completed Operations</i>	11
<i>Figure 6: Certificate of Insurance is Required</i>	12
<i>Figure 7: Agreement Specifies that Airport Authority is to be Added As an Additional Insured on the General Liability Coverage</i>	12
<i>Figure 8: Are the Insurance Limits in Dollars Specified in Your Agreements Standard or Custom-Set?</i>	12
<i>Figure 9: Agreement Specifies that Workers' Compensation Coverage is Provided</i>	13
<i>Figure 10: Agreement Specifies that Employer's Liability Insurance is to be Provided</i>	13
<i>Figure 11: Auto Liability Insurance Always Required and Specified in Agreements</i>	13
<i>Figure 12: Auto Liability Insurance Only Required Based on Whether or Not the Vehicles are Used Within the Scope of the Agreement or on the Airfield</i>	13
<i>Figure 13: Agreements for Professional Services Require Evidence of Errors and Omissions, or Liability Coverage for Wrongful Acts</i>	14
<i>Figure 14: Number of Days to Submit a Cancellation Notice to Airport Authority Specified in the Agreements</i>	14
<i>Figure 15: Agreements Limits the Amount of Deductible to Be Carried, or Require Approval by Airport?</i>	14
<i>Figure 16: Lines for Which Any Form of Self Insurance is Allowed</i>	15
<i>Figure 17: Airport Department that Manages Certificate and Insurance Compliance</i>	15

EXECUTIVE SUMMARY

This report documents the results of an online survey of the ACI-NA airport members regarding the insurance agreements that airports have with the concessionaires they contract with. Below are some highlights of the survey results:

- The majority of respondents reported that their agreements require Commercial General Liability (CGL) insurance that includes coverage for bodily injury, property damaged products and completed operations.
- One hundred percent of respondents require certificates of insurance and the vast majority requires that the Airport be added as an Additional Insured.
- Over half of respondents stated that the insurance limits specified in their agreements are a combination of both standard and customized limits.
- Nearly ninety percent of respondents (28 airports) require that Workers' Compensation coverage is be provided, and slightly over 70% (24 airports) state their agreements require that employer's liability insurance be provided.
- Seventy-six percent of respondents (25 airports) reported that auto liability insurance is always required and specified in their agreements.
- When professional services are performed, agreements for 84% of respondents require evidence of errors and omissions liability coverage.
- Ninety-seven percent of respondents (32 airports) have a set number of days to submit a cancellation notice to the airport authority.
- Almost two-thirds of respondents (71%, or 15 airports) say that their agreements require the approval of the airport if the deductible is in excess of a certain amount.
- The respondents were asked to specify the lines for which any form of self-insurance is allowed. Thirty-eight percent (20 airports) said General Liability; 34% (18 airports) said Auto Liability; and 28% (15 airports) said Workers' Compensation.
- Forty-two percent of respondents (11 airports) have their Risk Management Department manage their certificates of insurance and the insurance compliance effort for their agreements. Thirty-three percent (9 airports) say that the Properties Department performs that function.

BACKGROUND

In order to assist airports in assessing the adequacy of insurance coverage requirements, the ACI-NA Insurance and Risk Management Committee began researching a pilot project in 2006. Phase I of the project analyzed the insurance and indemnification section of airport and airline use/lease agreements. Continuing the success of that study, the Committee has developed Phase II of the project, which covers airport food and beverage, retail concessionaires and other space agreements for use of Airport property.

This survey was designed to gather information on the insurance agreements that airports have with the concessionaires they contract with. The questionnaire is divided into two sections: one section focused on the Limits of Non-Airline Concession, Space and Off-Site Property Agreements; the other is focused on Non-Airline Concession and Space Agreements Insurance Section Specifications. The information provided through this survey will help airports compare their agreements to others in the industry.

The survey was sent to all of the member airports participating in the Insurance and Risk Management Committee. A total of 35 members responded to the survey questionnaire, representing 14 large hub airports, 9 medium hub airports, 4 small hub airports, and 6 non hub primary as defined by the FAA in their preliminary 2006 traffic report (see Appendix 1 for the FAA definition of airport categories and Appendix 2 for survey samples). Airports participated by providing detailed information regarding their airport concessionaire agreements.

For this report, airports were grouped into four main categories: large, medium, small and other (see Table 1). Responses from organizations with multiple airports were grouped by the size of the largest airport. The data collection period was from May 29, 2008 when the survey was initially sent out, until June 10, 2008 when the final response was received.

Table 1: Sample Distribution

Hub Size	Number of Responses	Industry Total	Percent of Industry Total
Large	14	30	46.7%
Medium	9	37	24.3%
Small	4	71	5.6%
Non	6	241	2.5%
Total	33	379	--

SURVEY RESULTS

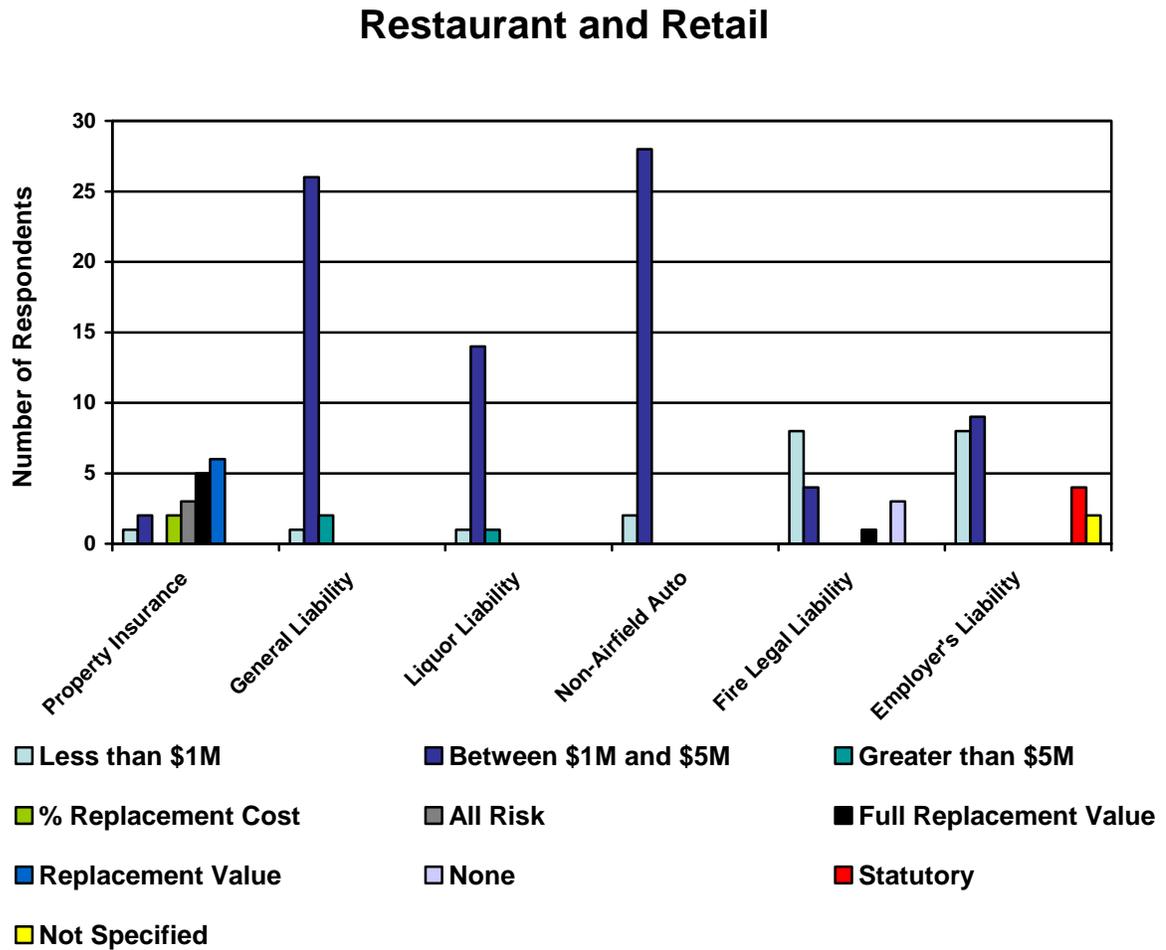
The survey was conducted in two parts. The first part, Limits Type I, focused on the Limits of Non-Airline Concession, Space and Off-Site Property Agreements.

The second part, General Requirements Type I, focused on Airport Non-Airline Concession and Space Agreements and Off-Site Property Insurance Section Specifications.

Limits Type I

1. Please list the general insurance limits as required by your airport authority, in millions of dollars:

Figure 1: Restaurant and Retail



Other answered submitted include:

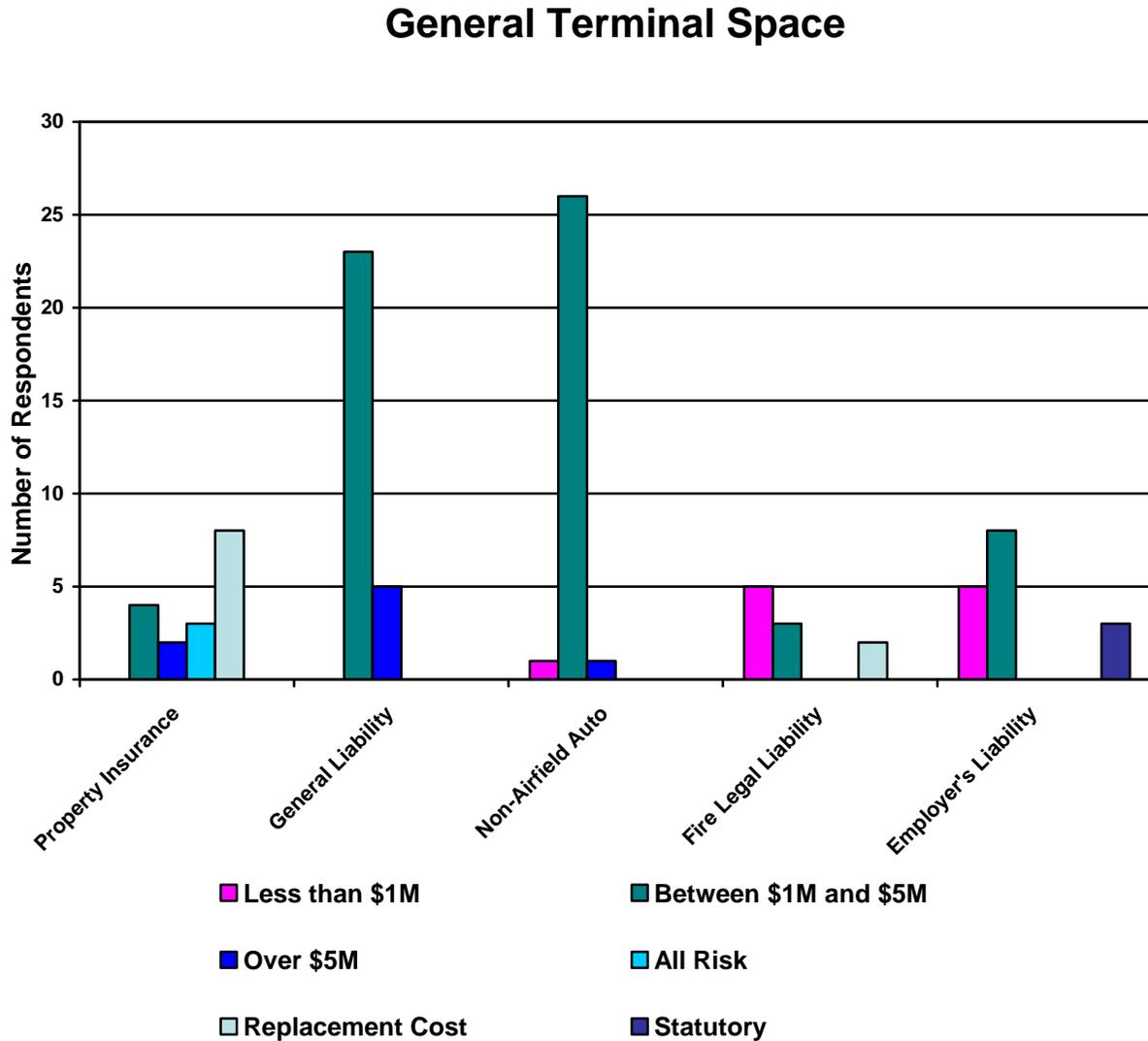
- Property Insurance
 - \$1M CGL per occurrence and \$2M general aggregate (FWA)
 - \$120,000 to \$50M (SJC)
 - Included in General Liability (ROA)
- General Liability
 - \$1M each and \$2M aggregate (ATL, DEN, PHX)
- Liquor Liability
 - Included (MWAA)
 - Included in bodily injury and property liability coverage (FWA)
 - Included in General Liability Coverage (ROA)
- Fire Legal Liability

- Building owner maintains 80% full replacement value less Standard Deductions. Lessee maintains insurance on its finishes, furnishings and personal property, trade fixtures, expendables, equipment, stock in trade (ROA)
- Included in the General Liability (DTW)
- Included within property insurance (SNA)
- Provided by City of KCMO property insurance (MCI)
- Varies (PSM)
- Employer's Liability
 - \$100,000 accident, \$100,000 employee, \$500,000 policy limit (ATL, PHX)
 - \$100,000/\$500,000/\$100,000 (MCI, TPA)
 - WC at state requirements (SRQ)

Additional Comments:

- Agreement was written in 1995. Tenant has an exclusive on all F&B, vending and retail. (FWA)
- Airfield Auto \$5M. (MEM)
- Based on Contract Risk Analysis size and terms – Range, for example, of a coffee cart is \$120,000, FBO and major concession are much higher. (SJC)
- Encompasses all. (JAN)
- General aggregate \$2M annually premises, Operations \$2M annually products, completed operations \$2M annually personal, and advertising injury \$2M annually. (RSW)
- Good point on the fire legal liability; we will incorporate it in our next contract review for concession leases as well as the host liquor liability issue. (SFO)
- If driving on the airfield, \$10M auto and general liability is required. Require replacement cost only on fixed improvements. (CVG)
- If operation is conducted airside, the general liability limits and auto limits are increased to \$5M. CGL includes products/completed ops and personal/adv. injury for each with a \$1M occurrence. (PHX)
- Liquor Liability - Concessionaire is required to abide by any local, state or federal requirements. (MCI)
- Please note some coverage is covered by the City of Melbourne, while others are covered by the Airport aviation insurance. (MLB)
- These are the requirements for our Food and Beverage and Retail Developer. We do not have individual requirements for the tenants they obtain for us. (MWAA)

Figure 2: General Terminal Space



Other answers submitted include:

- Property Insurance
 - Covers city-owned property - included in \$100M agreed amount of replacement cost of blanket coverage (MLB)
 - Included in General Liability (ROA)
- General Liability
 - \$1M each and \$2M aggregate (DIA, PHX)
 - \$50M per occurrence subject to \$50M aggregate (ATL)
 - Included in property insurance (MSP)
- Non-airfield Auto
 - Included in property insurance. (MSP)
- Fire Legal Liability
 - Authority insures the building, and the tenant insures its personal property (FWA)
 - Included in the General Liability (DTW)
 - Included within property insurance (SNA)

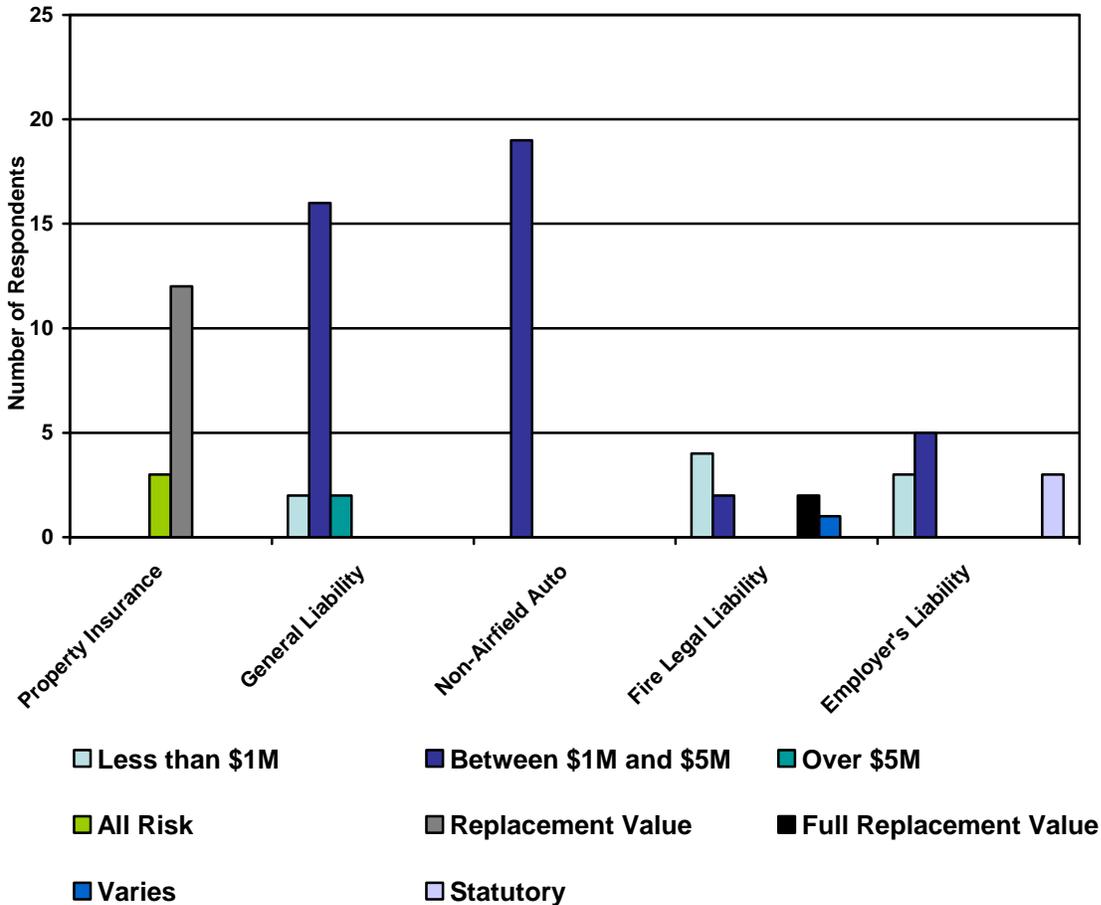
- Provided by City of Kansas City property insurance (MCI)
- Varies (PSM)
- Employer's Liability
 - \$100,000/\$100,000/\$500,000 (PHX)
 - \$100,000/\$500,000/\$100,000 (MCI, TPA)
 - Lessee maintains at statutory limits; Owner maintains for its employees at statutory limits. (ROA)
 - WC at state requirements. (SRQ)

Additional Comments:

- Require replacement cost only on fixed improvements. The Board insures most of the Terminal. (CVG)
- Everything goes through the developer in question 1 above. (MWAA)
- Airport Aviation insurance covered General Liability, while City covered the others. (MLB)
- Airline lease and use agreement currently being negotiated will have at least \$500M of aviation liability coverage, with endorsements for liquor liability. This will apply for airlines only; general tenant, non-airline requirements are outlined above. (SFO)
- We also require that products liability be included within the CGL policy. (SNA)

Figure 3: Off-site Warehouse or Other Space/Property

Off-site Warehouse or Other Space/Property



Other answers submitted include:

- Property Insurance
 - \$10,000 to \$25M (SJC)
 - Covers City owned property - included in \$100M agreed amount of replacement cost of blanket coverage (MLB)
 - Depends on the lease terms and building value (OAK)
- General Liability
 - \$1M/occurrence, \$2M/aggregate (ATL, PHX)
 - \$4M each occurrence CGL property damage and \$2M each occurrence bodily injury (FWA)
 - \$2M / \$5M for Ramp Access (SLC)
- Non-airfield Auto
 - \$2M / \$5M for Ramp Access (SLC)
- Fire Legal Liability
 - Authority insures the building, tenant insures its personal property (FWA)
 - Included in General Liability (DTW)
 - Provided by City of Kansas City property insurance (MCI)
 - Varies (PSM)

- Employer’s Liability
 - \$100,000 accident, \$100,000 employee, \$500,000 policy limit (ATL, PHX)
 - \$100,000/\$500,000/\$100,000 (MCI, TPA)
 - WC at state requirements (SRQ)

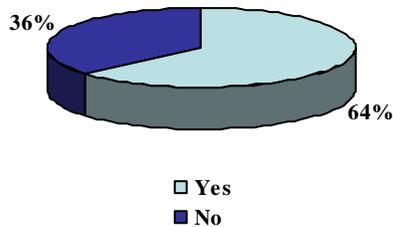
Additional Comments

- Applies to cargo and warehouse space leased by the airlines in the currently negotiated lease and use agreement. (SFO)
- Auto Liability on Airfield. (LAS)
- Auto Liability only required if operations includes using vehicles. CGL includes requirement for products/completed ops and personal advertising injury at \$1M for each, per occurrence. (PHX)
- Please note: Airport is also a landlord that leases out grounds and/or building space to tenants who provide insurance coverage per leases. (MLB)
- Require replacement cost only if structure reverts back to the Board at the end of the lease. (CVG)
- The \$200M is for entities such as UPS that use cargo facilities. Otherwise, the GL limit would be \$2M. Car Rental places have environmental as well. (DEN)

General Requirements Type I

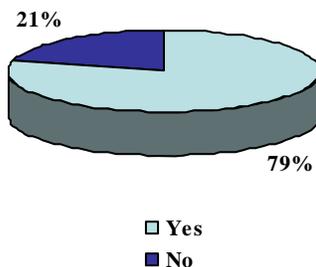
2. Does the agreement specify that commercial general liability insurance is to include bodily injury and property damage using coverage form ISO CG 00 01 10 01, or its equivalent? (Yes/No): Thirty-three airports answered this question.

Figure 4: Agreement Specifies that Commercial General Liability Insurance Includes Bodily Injury and Property Damage



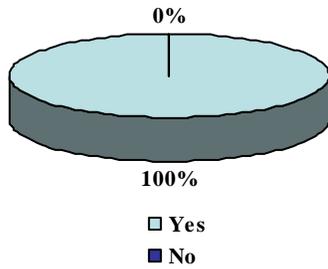
3. Does the agreement specify commercial general liability coverage for products and completed operations? (Yes/No): Thirty-three airports answered this question.

Figure 5: Agreement Specifies Commercial General Liability Coverage for Products and Completed Operations



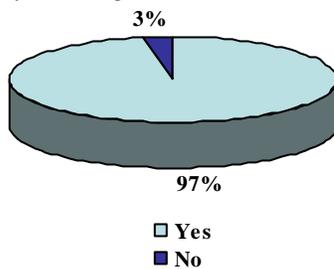
4. Is a certificate of insurance required? (Yes/No): Thirty-three airports answered this question.

Figure 6: Certificate of Insurance is Required



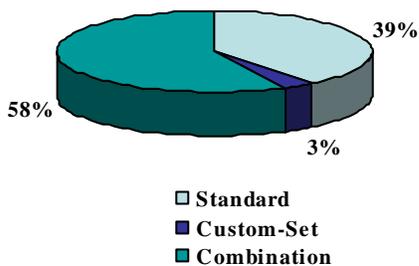
5. Does the agreement specify that the airport authority is to be added as an additional insured on the general liability coverage? (Yes/No): Thirty-three airports answered this question.

Figure 7: Agreement Specifies that Airport Authority is to be Added As an Additional Insured on the General Liability Coverage



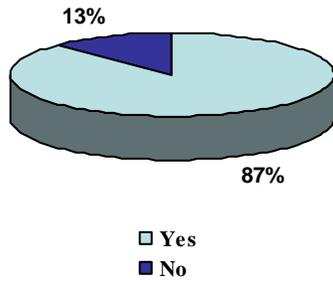
6. Are the insurance limits in dollars specified in your agreements standard or custom-set for each agreement?: Thirty-three airports answered this question.

Figure 8: Are the Insurance Limits in Dollars Specified in Your Agreements Standard or Custom-Set?



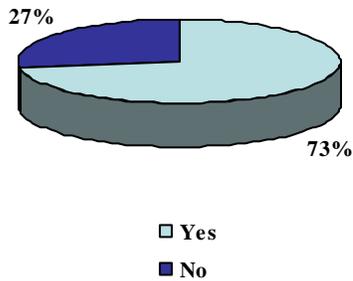
7. Does the agreement specify that workers' compensation coverage is to be provided? (Yes/No): Thirty-two airports answered this question.

Figure 9: Agreement Specifies that Workers' Compensation Coverage is Provided



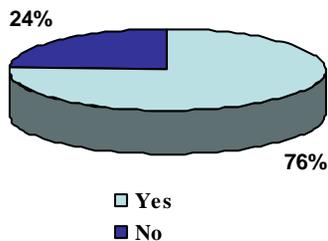
8. Does the agreement specify that employer's liability insurance is to be provided? (Yes/No): Thirty-three airports answered this question.

Figure 10: Agreement Specifies that Employer's Liability Insurance is to be Provided



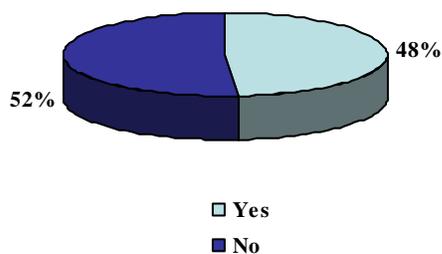
9. Is auto liability insurance always required and specified in agreements? (Yes/No): Thirty-three airports answered this question.

Figure 11: Auto Liability Insurance Always Required and Specified in Agreements



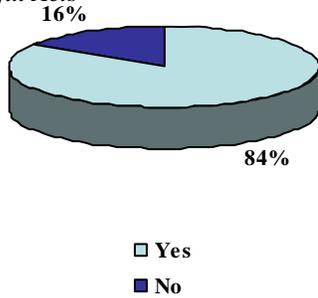
10. Is auto liability insurance only required based on whether or not the vehicles are used within the scope of the agreement, or on the airfield? (Yes/No): Thirty-three airports answered this question.

Figure 12: Auto Liability Insurance Only Required Based on Whether or Not the Vehicles are Used Within the Scope of the Agreement or on the Airfield



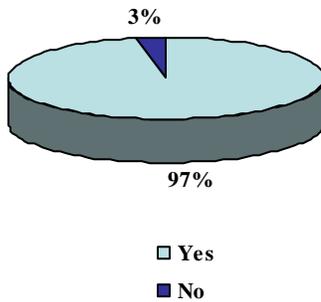
11. Do the agreements for professional services require evidence of errors and omissions, or liability coverage for wrongful acts (Yes/No)? Thirty-one airports answered this question.

Figure 13: Agreements for Professional Services Require Evidence of Errors and Omissions, or Liability Coverage for Wrongful Acts



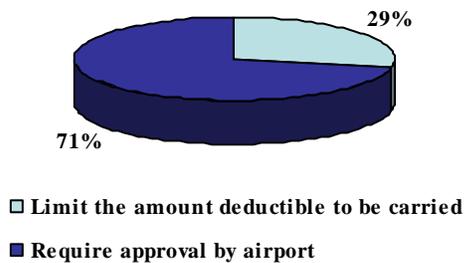
12. Is the number of days to submit a cancellation notice to airport authority specified in the agreements (Yes/No)? Thirty-three airports answered this question.

Figure 14: Number of Days to Submit a Cancellation Notice to Airport Authority Specified in the Agreements



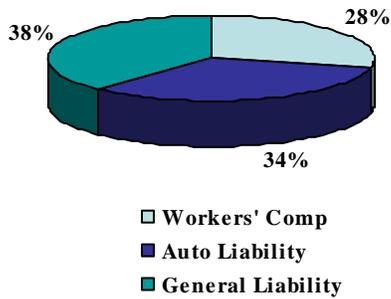
13. Do any agreements limit the amount of deductible to be carried, or do they require approval by the airport if deductible is in excess of a certain amount?

Figure 15: Agreements Limits the Amount of Deductible to Be Carried, or Require Approval by Airport?



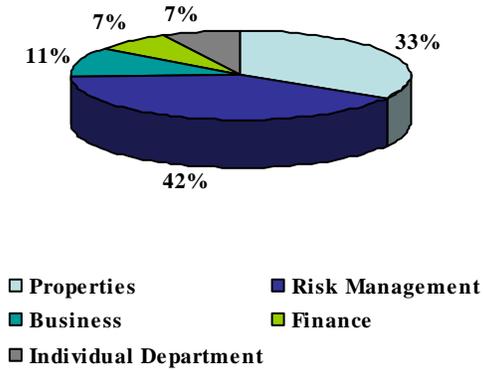
14. Specify the lines for which any form of self insurance is allowed:

Figure 16: Lines for Which Any Form of Self Insurance is Allowed



15. Which airport department manages certificate and insurance compliance for these agreements?

Figure 17: Airport Department that Manages Certificate and Insurance Compliance



Additional answers include:

- City of Albuquerque- Aviation Department (ABQ)
- Administration and Commercial Services (SLC)
- Contracts (TUL)
- Insurance Department (SNA)
- Legal Department (PSM)
- Operations (CRW)

Comments:

- Self-Insurance is accepted on a limited basis. (DTW)
- Note: responses to questions 12 and 13: it depends on the agreement (FWA)
- Question 13 is based upon a case by case basis (LAS)
- Oversight of certificates currently lies with each department and not Risk Management. We are looking at a vendor to possibly help with certificate management. (SEA)
- Airport Finance Administration - Contracts provides day to day management. City Risk Management - Finance Dept directs and sets limits. (SJC)
- The Insurance Department is a department within the Business Development Division and was established after 9/11 and manages the insurance for all departments within Airport. (SNA)

APPENDIX 1: FAA DEFINITION OF AIRPORT CATEGORIES

FAA classifies airports by the following levels/types of activities: Commercial Service, Non-Primary, Primary, Cargo Service, Reliever, and General Aviation Airports.

Commercial Service Airports are publicly owned airports that have at least 2,500 passenger boardings each calendar year and receive scheduled passenger service. Passenger boardings refer to revenue passenger boardings on an aircraft in service in air commerce whether or not in scheduled service. The definition also includes passengers who continue on an aircraft in international flight that stops at an airport in any of the 50 States for a non-traffic purpose, such as refueling or aircraft maintenance rather than passenger activity. Passenger boardings at airports that receive scheduled passenger service are also referred to as Enplanements.

Non-Primary Commercial Service Airports are Commercial Service Airports that have at least 2,500 and no more than 10,000 passenger boardings each year.

Primary Airports are Commercial Service Airports that have more than 10,000 passenger boardings each year. Hub categories for Primary Airports are defined as a percentage of total passenger boardings within the United States in the most current calendar year ending before the start of the current fiscal year. For example, calendar year 2001 data are used for fiscal year 2003 since the fiscal year began 9 months after the end of that calendar year. The table below depicts the formulae used for the definition of airport categories based on statutory provisions cited within the table, including Hub Type described in 49 USC 47102.

Definition of Airport Categories

Airport Classifications		Hub Type: Percentage of Annual Passenger Boardings	Common Name
Commercial Service: Publicly owned airports that have <u>at least 2,500</u> passenger boardings each calendar year and receive scheduled passenger service §47102(7)	Primary: Have <u>more than 10,000</u> passenger boardings each year §47102(11)	Large: 1% or more	Large Hub
		Medium: At least 0.25%, but less than 1%	Medium Hub
		Small: At least 0.05%, but less than 0.25%	Small Hub
		Nonhub: More than 10,000, but less than 0.05%*	Nonhub Primary
	Nonprimary	Nonhub: At least 2,500 and no more than 10,000*	Nonprimary Commercial Service
Nonprimary (Except Commercial Service)		Not Applicable	Reliever §47102(18)

APPENDIX 2: SURVEY SAMPLE

Airport Name	3-Letter Code	Hub Size
Hartsfield-Jackson Atlanta International Airport	ATL	L
Cincinnati/Northern Kentucky International Airport	CVG	L
Denver International Airport	DEN	L
DFW International Airport Board	DFW	L
Wayne County Airport Authority	DTW	L
McCarran International Airport	LAS	L
Miami-Dade County Aviation Department	MIA	L
Metropolitan Airports Commission	MSP	L
Metropolitan Washington Airports Authority	MWAA	L
Phoenix Sky Harbor International Airport	PHX	L
Port of Seattle	SEA	L
San Francisco International Airport	SFO	L
Salt Lake City International Airport	SLC	L
Hillsborough County Aviation Authority	TPA	L
City of Albuquerque Aviation Department	ABQ	M
City of Kansas City, Missouri Aviation Department	MCI	M
Memphis-Shelby County Airport Authority	MEM	M
Port of Oakland	OAK	M
Reno-Tahoe Airport Authority	RNO	M
Lee County Port Authority	RSW	M
Mineta San Jose International Airport	SJC	M
John Wayne Airport	SNA	M
Vancouver International Airport Authority	YVR	M
City of Dayton, Department of Aviation	DAY	S
Jackson Municipal Airport Authority	JAN	S
Sarasota Manatee Airport Authority	SRQ	S
Tulsa International Airport	TUL	S
Yeager Airport	CRW	N
Fort Wayne Airport Authority	FWA	N
Melbourne International Airport	MLB	N
Pease Development Authority	PSM	N
Roanoke Regional Airport Commission	ROA	N
Saskatoon Airport Authority	YXE	N

APPENDIX 3: SURVEY QUESTIONNAIRE

Section 1: General Information

Organization

Airport 3-letter Code

Respondent's Information

Name:

Title:

Email Address:

Phone Number:

Section 2: Limits Type I – Non-Airline Concession, Space and Off-Site Property Agreements

1. Please list the general insurance limits as required by your airport authority, in millions of dollars.

Restaurant and Retail

Property Insurance

General Liability

Liquor Liability

Non-Airfield Auto

Fire Legal Liability

Employer's Liability

Comments:

General Terminal Space

Property Insurance

General Liability

Non-Airfield Auto

Fire Legal Liability

Employer's Liability

Comments:

Off-site warehouse or other space/property

Property Insurance

General Liability

Auto Liability

Fire Legal Liability

Employer's Liability

Comments:

Section 3: General Requirements Type I

2. Does the agreement specify that commercial general liability insurance is to include property damage and bodily injury using coverage form ISO CG 00 01 10 01, or its equivalent?
3. Does the agreement specify commercial general liability coverage for products and completed operations?
4. Is a certificate of insurance required?
5. Does the agreement specify that the airport authority is to be added as an additional insured on the general liability coverage?
6. Are the insurance limits in dollars specified in your agreements standard or custom-set for each agreement?
7. Does the agreement specify that workers' compensation coverage is to be provided?
8. Does the agreement specify that employer's liability insurance is to be provided?
9. Is auto liability insurance always required and specified in agreements?
10. Is auto liability insurance only required based on whether or not the vehicles are used within the scope of the agreement, or on the airfield?
11. Do the agreements for professional services require evidence of errors and omissions, or liability coverage for wrongful acts?
12. Is the number of days to submit a cancellation notice to airport authority specified in the agreements?
13. Does any agreements limit the amount of deductible to be carried, or do they require approval by the airport if deductible is in excess of a certain amount?
 - Limit the amount deductible to be carried
 - Require approval by airport
 - List the applicable coverage lines (WC, CGL, Auto)
14. Specify the lines for which any form of self insurance is allow (select all that apply):
 - Workers' Comp
 - Auto Liability
 - General Liability
15. Which airport department manages certificate and insurance compliance for these agreements?

Comments:

APPENDIX 4: ABOUT THIS SURVEY

ACI-NA thanks its member airports for their contribution and input to this report. Without their participation, ACI-NA could not have been able to develop this report and the important information on the airport operating agreements' insurance.

This report was developed by the Insurance and Risk Management Committee Steering Group: Jeff Hollingsworth (Seattle), Errol Fitzpatrick (San Diego), Bill Hoyt (Minneapolis), Scott Gibbons (Cincinnati), and Mike Natale (Washington D.C.). ACI-NA staff contributors to this report include Liying Gu and Miranda Horan.

If you have any questions or comments regarding the results of this survey, please contact Miranda Horan, Research Analyst, Center for Policy and Regulatory Affairs, at mhoran@aci-na.org or at (202) 293-4530.