



**AIRPORTS COUNCIL  
INTERNATIONAL**

## 2008 TERRORISM IMMUNITY SURVEY SUMMARY

**September 2008**

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

# Terrorism Immunity Survey

*Airlines currently have a \$100 million immunity cap for liability claims. Airport authorities do not have the same benefit, and have to either purchase terrorism coverage or buy stand-alone war risk coverage endorsement, or a combination of both.*



# Summary Results

- 94% of the airports are in favor of lobbying efforts to Congress.
- Only 38% advocate for setting \$100 million or above cap. The rest would like to see a lower cap of below \$100 million.
- Two-thirds of the respondents believe that a liability cap will lower the cost of general liability terrorism coverage as offered by the insurance companies.
- 85% of the airports anticipated that there would be other savings if a liability cap for terrorism events was in place.
- Airports have concerns with the various terrorism liability consequences. They do not believe that the Terrorism Risk and Insurance Protection Reauthorization Act (TRIPA) protect airports.
- Close to 30% of the respondents do not have any form or type of terrorism liability coverage.
- Only 64% of the respondents were aware of the airline liability cap of \$100 million prior to this survey



# Background

- Government Accountability Office ("GAO") released its initial audit report on the availability of terrorism insurance in specific geographic markets.
- Six cities considered to be at high, moderate, and low risk of attack. Four airports out of the six responded to this survey: three (San Francisco and Washington DC (IAD & DCA) are considered being located in high risk cities and one (Boston) in a moderate-risk city.
- Survey designed to evaluate airports' views on the following issues:
  - Airport's exposure for liability stemming from a terrorist act;
  - Whether or not a federal cap on terrorism liability should be pursued; and
  - Whether or not a liability cap would change their general liability insurance buying tendencies.



# *Distribution of Responses by Airport Hub Size*

Hub size	Number of responding airports	Total number of airports in industry	Responding airports as a % of total by hub size	Total enplanements of responding airports by hub size	Total enplanements by hub size	% of enplanement by responding airports
Large	15	30	50.0%	227,912,753	526,281,066	43.3%
Medium	9	37	24.3%	38,193,919	150,812,667	25.3%
Small	7	71	9.9%	7,505,217	61,428,869	12.2%
Other	4	241	1.7%	653,366	22,621,335	2.9%
Total	35	379	9.2%	274,265,255	761,143,937	36.0%

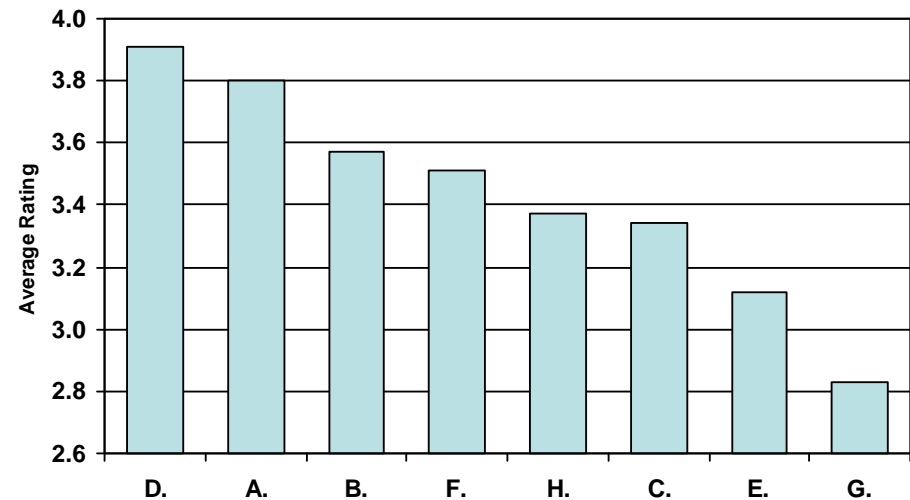
*Table 1: Distribution of Responses by Airport Hub Size*



# Opinions on Airport Liability Coverage

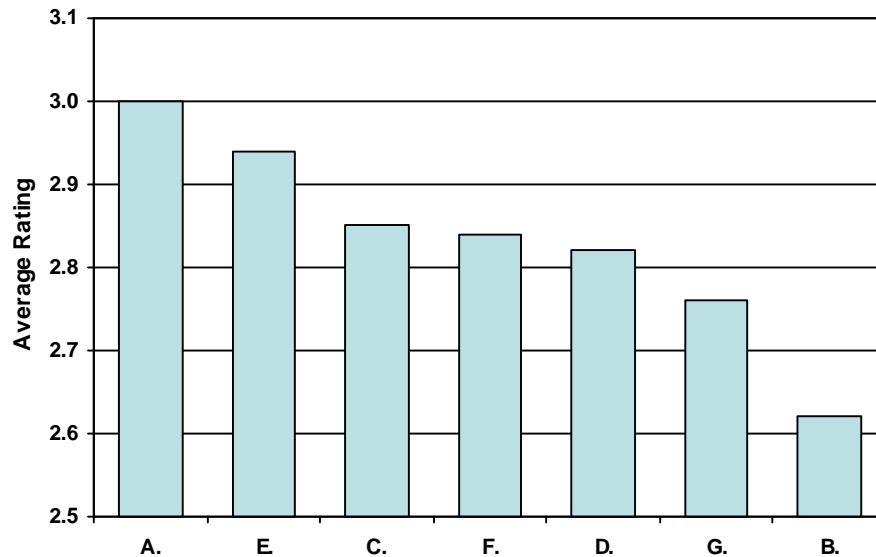
## Concerns with a possible terrorist event

- Most concerned with the liability to individuals injured in a terrorist attack at an airport. 37% of the respondents (13 airports)
- G - only scenario with the average rating below the mid-point 3 (neutral)



A. Direct property damage to airport assets.
B. Liability for pollution claims due to a terrorist attack that involves an airport's fuel tanks or hydrant systems and/or the fuel associated with an aircraft.
C. Workers compensation claims from the airport authorities own employees injured in an event occurring on airport property.
D. Liability to the airport from individuals who were injured in a terrorist attack while at the airport.
E. Liability to the airport from individuals injured from a terrorist attack but where the injuries and damages occurred away from airport property
F. Liability to an airline that was involved in a terrorist attack that result in injury and damages while on airport property.
G. Liability to an airline that was involved in a terrorist attack that result in injury and damages after leaving the airport.
H. Liability to an airport authority elected or appointed board/commission from injured parties who claim negligence on behalf of these persons.

# Perception of TRIPRA

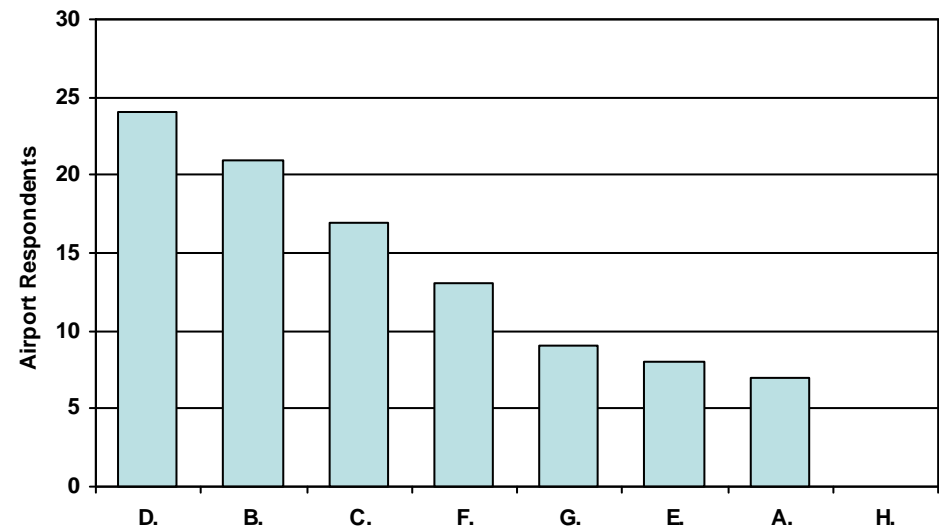


- All have an average rating below the midpoint 3, indicating that airports do not think (TRIPRA) will protect airports
- TRIPRA was thought to provide the best protection to direct property damage to airport assets with an average rating of 3.00

A. Direct property damage to airport assets.
B. Liability for pollution claims resulting from a terrorist attack stemming from damage to an airport's fuel tanks or the fuel associated with an aircraft.
C. Liability to the airport from individuals (non-employees) who were injured in a terrorist attack while at the airport.
D. Liability to the airport from individuals injured from a terrorist attack but where the injuries and damages occurred away from airport property.
E. Liability to an airline that was involved in a terrorist attack that result in injury and damages while on airport property.
F. Liability to an airline that was involved in a terrorist attack that result in injury and damages after leaving the airport.
G. Liability to an airport authority elected or appointed board/commission from injured parties who claim negligence on behalf of these persons.

# TRIPRA - Weaknesses, Problems or Deterrents

- On average, each airport identified 3 out of the 8 choices.
- The two biggest problems the majority of the respondents seen are : the premium cost and the fact that coverage has not been tested in court.
- Half of the respondents (17) believe that the definition of a terrorist event is unclear or even open to interpretation.

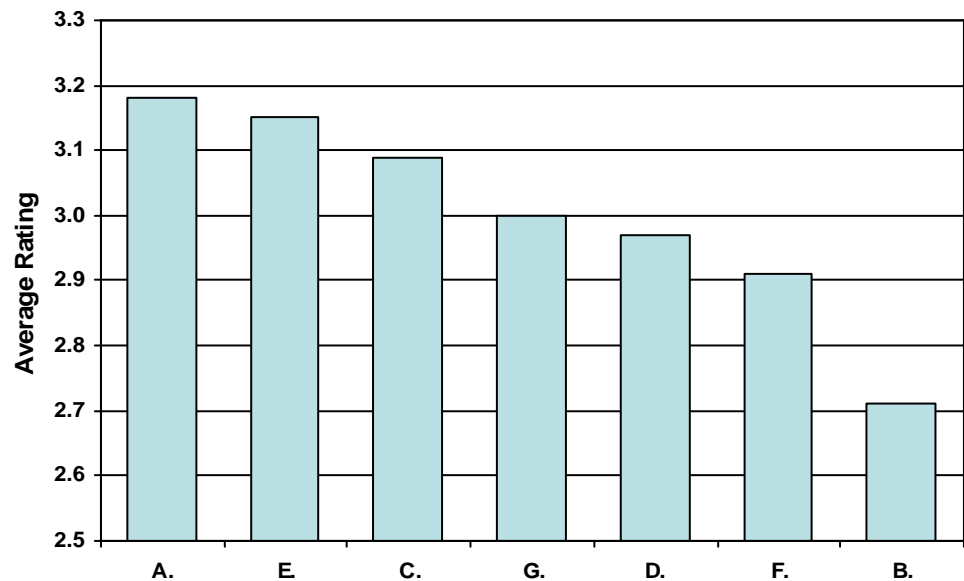


A. Limits too low.
B. Coverage has not been tested in court.
C. Definition of a terrorist event unclear or open to interpretation.
D. Premium cost.
E. Cost would be shifted to airlines who don't want to pay for this.
F. Not a significant risk for the airport to buy this coverage.
G. Prefer to spend available dollars on loss prevention at the airport, and don't see insurance as an effective risk management tool, regardless of the coverage offered.
H. Don't see a weakness with the coverage at all.



# Perception of War Risk Coverage

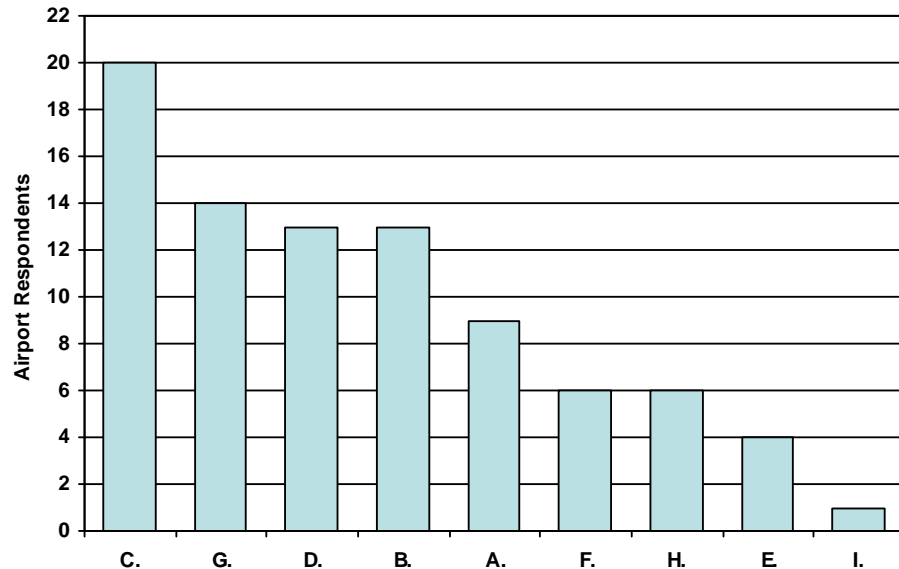
- Overall, responding airports think war risk coverage is suited to protect airports for direct property damage to airport assets, liability from individuals injured in a terrorist attack while at the airport, and liability to an airline involved in a terrorist attack that results in injury and damages while on airport property.
- However, they do not think war risk coverage is suited to protect airports where the injuries and damages occurred outside airport property or liability for pollution claims.



A. Direct property damage to airport assets.
B. Liability for pollution claims resulting from a terrorist attack stemming from damage to an airport's fuel tanks or the fuel associated with an aircraft.
C. Liability to the airport from individuals (non-employees) who were injured in a terrorist attack while at the airport.
D. Liability to the airport from individuals injured from a terrorist attack but where the injuries and damages occurred away from airport property (for example, airplane leaves airport but goes down in another state resulting in passenger injury as well as injury from others).
E. Liability to an airline that was involved in a terrorist attack that result in injury and damages while on airport property.
F. Liability to an airline that was involved in a terrorist attack that result in injury and damages after leaving the airport.
G. Liability to an airport authority elected or appointed board/commission from injured parties who claim negligence on behalf of these persons.

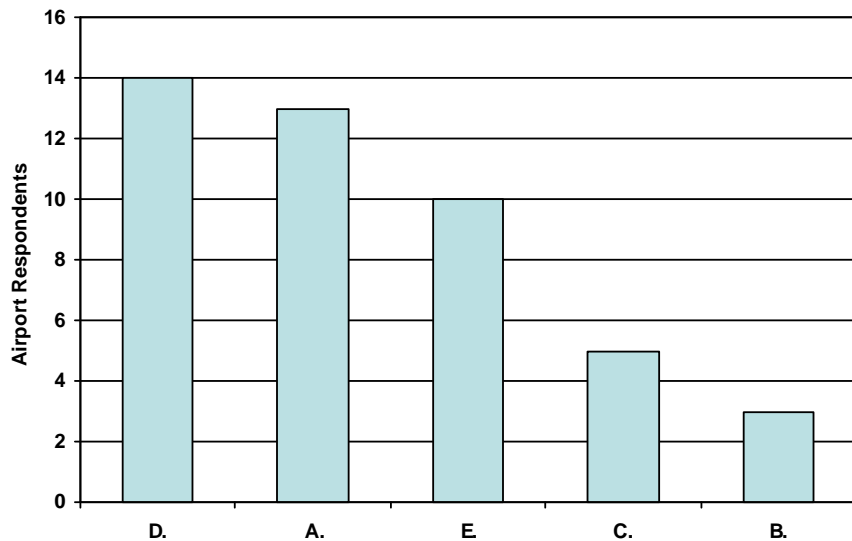
# War Risk Coverage - Weaknesses, Problems or Deterrents

- 57% (20 airports) of the respondents see the issue of coverage not being tested in court as a problem for war risk coverage.
- On the other hand, a total of 14 airports do not think the risk is significant for the airport to buy the coverage; however, only two of them are large hubs.



A. Limits too low
B. Limited number of carriers offering the coverage.
C. Coverage has not been tested in court.
D. Definition of a terrorist event unclear or open to interpretation.
E. Cost would be shifted to airlines who don't want to pay for this.
F. Premium cost without regard to what the airlines think.
G. Not a significant risk for the airport to buy this coverage.
H. Prefer to spend available dollars on loss prevention at the airport, and don't see insurance as an effective risk management tool, regardless of the coverage offered.
I. Don't see a weakness with the coverage at all.

# TRIPRA and War Risk Endorsement Coverage

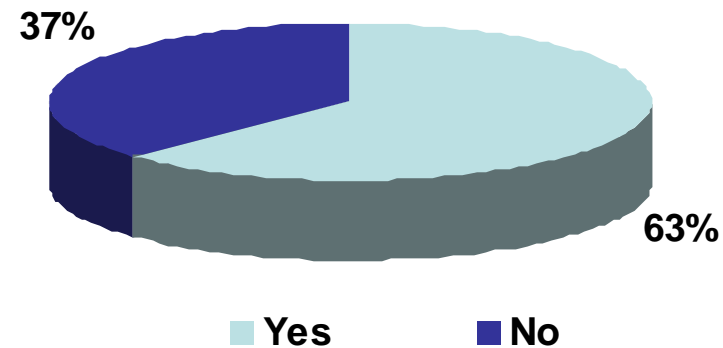


- Of the 35 responding airports, 14 (41%) purchased both risk and war endorsement coverage for the general liability policy, and 5 airports only purchased a TRIPRA coverage for property insurance.
- The remaining 10 airports (29%) including 3 large hubs and 3 medium hubs do not currently have any form or type of terrorism liability coverage.
- Only two have a general liability policy with limits that are less than the overall limits in the policy.

A. Our airport purchases a TRIPRA Coverage for property insurance.
B. Our airport purchases a TRIPRA policy for our airport general liability policy with limits that are less than the overall limits on the policy.
C. Our airport purchases a TRIPRA policy for other liability insurance coverage such as officers and directors liability coverage or auto liability coverage in addition to or in lieu of this coverage for our airport general liability policy.
D. We purchase both risk and war endorsement coverage for our general liability policy.
E. We purchase no form or type of terrorism liability coverage at all.

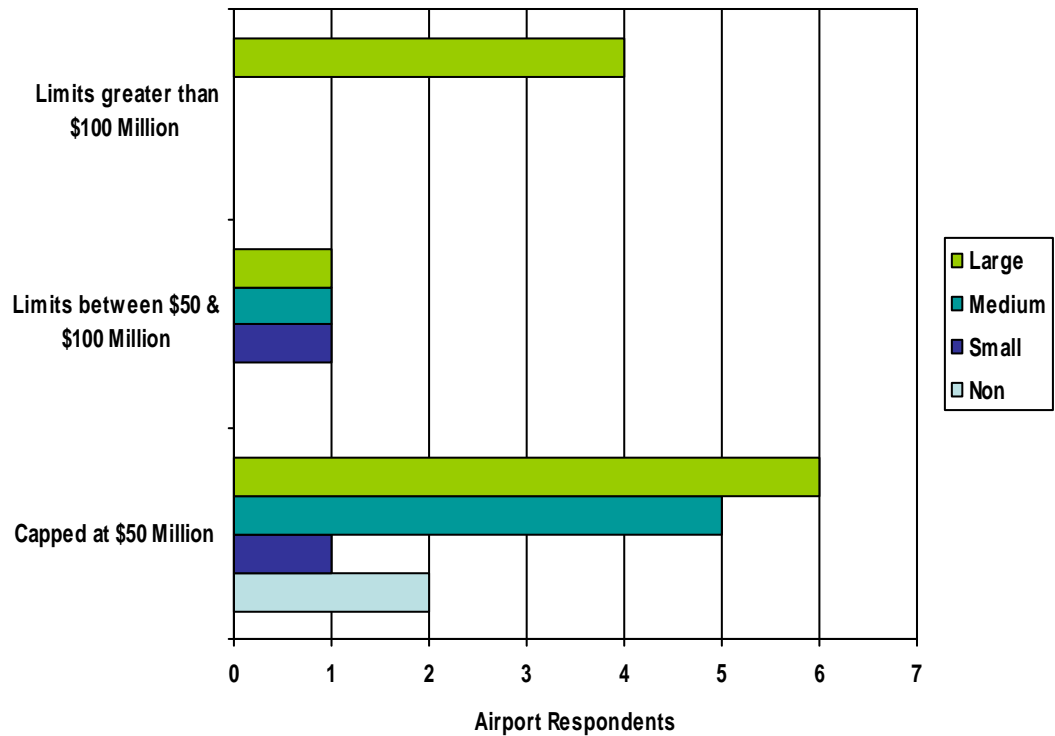
# War Risk Endorsement

- Of the 35 respondents, 22 airports (63%) purchased a war risk endorsement for the general liability policy including.
- While the remaining 13 airports (37%) did not.



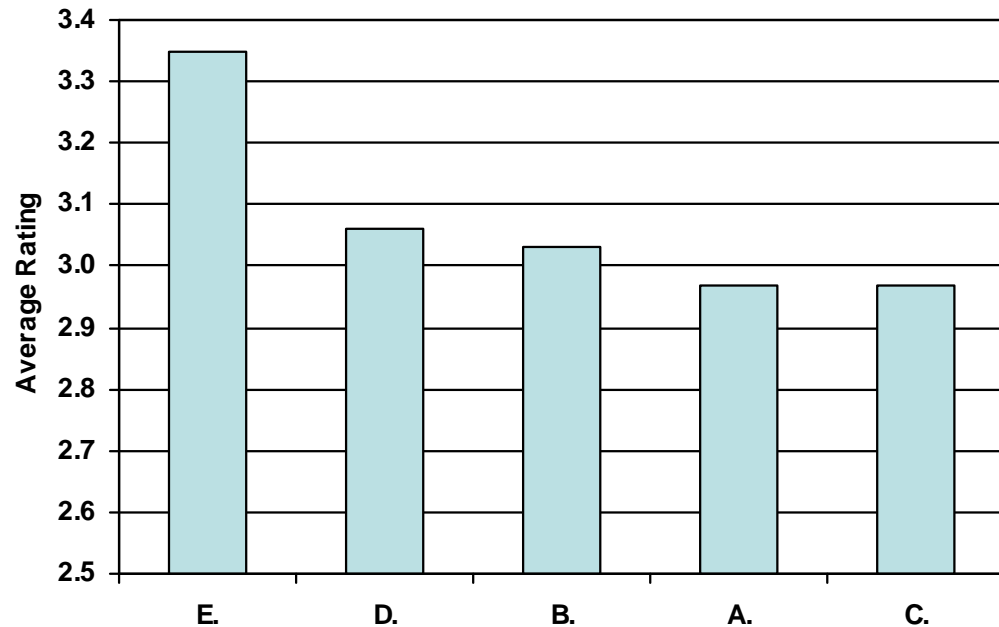
# Limits of War Risk Endorsement

- 14 airports (67%) have their war risk endorsements capped at \$50 million,
- Three airports with limits between \$50 million and \$100 million, and
- Four with limits greater than \$100 million.
- Of the three airports with limits greater than \$100 million, two are considered a high risk city of terrorism and one a moderate risk city.



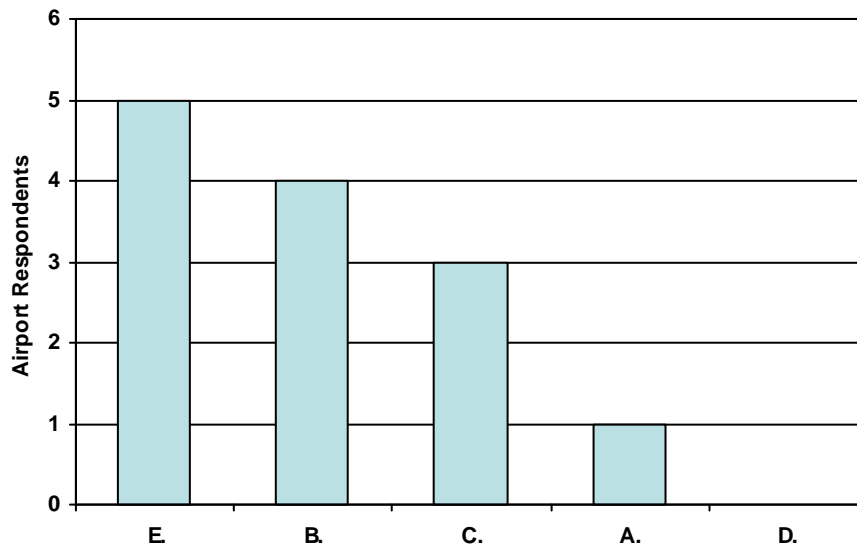
# Airport Indemnity Agreements

- Airports are more confident that they will be able to use the indemnity agreement when an event occurs in a maintenance hangar under an airline's control, or while moving between the runway and gate, or while an aircraft is approaching to land as shown
- They are neutral for events that occurs after an aircraft has left the airport or at the gate



A. Event that occurs after an aircraft has left the airport.
B. Event that occurs while an aircraft is approaching to land.
C. Event that occurs at the gate.
D. Event that occurs while moving between the runway and gate.
E. Event that occurs in a maintenance hangar that is under control of the airline.

# Workers Compensation Exposure

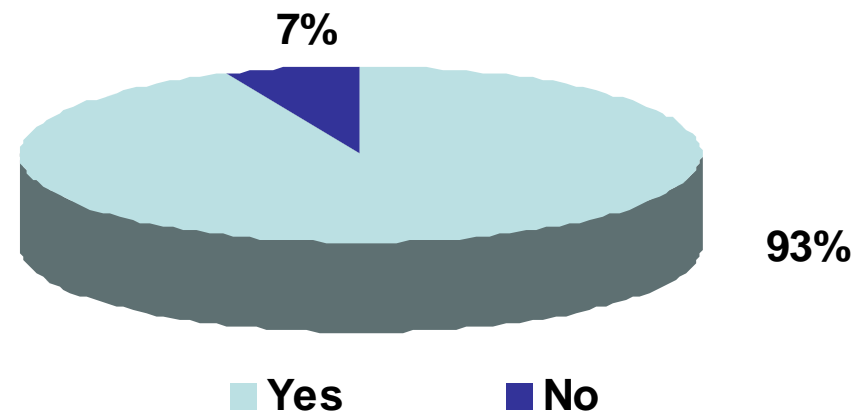


- Of the 22 valid responses, 12 airports (55%) purchased excess workers compensation, and 10 airports (45%) did not.
- Of the 11 airports that self-insured and did not purchase excess workers compensation coverage, five airports (45%) have always purchased and will continue to purchase excess workers compensation coverage, while four airports (36%) self-insure for all events, including the possibility of a terrorist attack.
- Only one airport states that it used to purchase excess workers compensation coverage, but after 9/11, it became too costly.

A. Used to purchase but after 9/11 it became too costly.
B. We self-insure for all events, including the possibility of a terrorist attack.
C. Never have purchased this coverage, and don't see a need to purchase.
D. Would like to purchase, but no market will quote us.
E. We have always purchased and continue to purchase and the cost has not significantly changed after the events of 9/11.

# Lobbying efforts to Congress

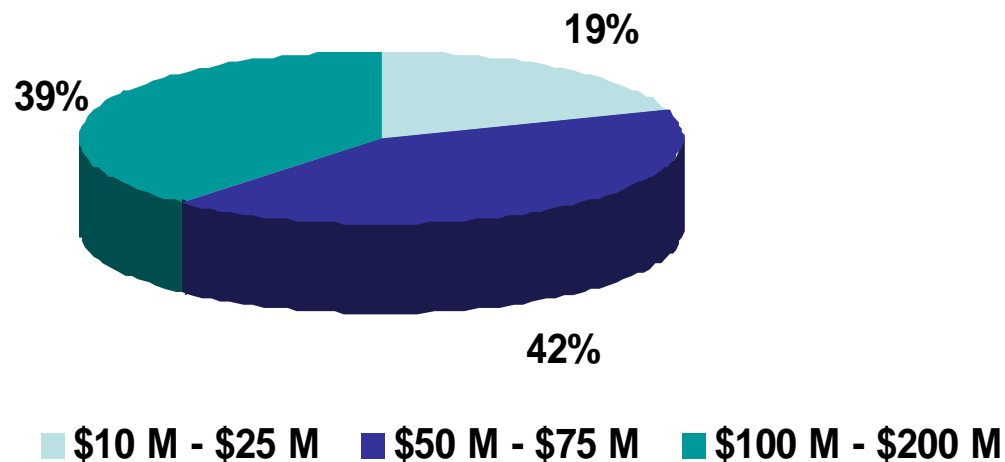
- When asked if they would support lobbying efforts to Congress that would broaden the existing liability protection to include airports, an **overwhelmingly majority - 29 of the 31 (93%)** responding airports - answered “yes”.





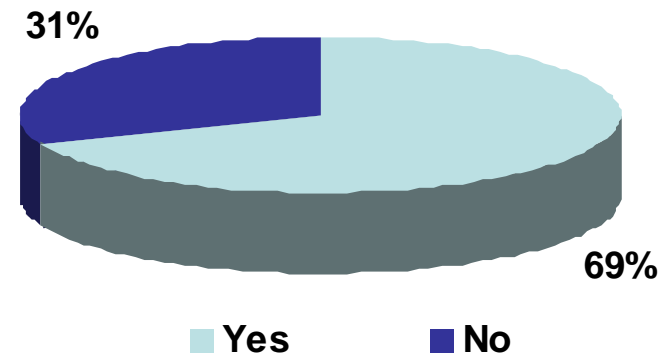
# Liability Cap Amounts

- Of the 31 responses, 13 airports (42%) feel that a \$50 - \$75 million liability cap for a terrorist event would be a benefit to airports
- While 12 airports (39%) suggest setting the cap above \$100 million.



# General Liability Terrorism Coverage

- Of the 29 responding airports, 20 airports (69%) believe that a liability cap will lower the cost of general liability terrorism coverage as offered by the insurance companies.
- Meanwhile 9 airports (31%) did not believe this would be the case.
- Of the 27 responses, 23 airports (85%) anticipated that there would be other savings if a liability cap for terrorism events was in place.

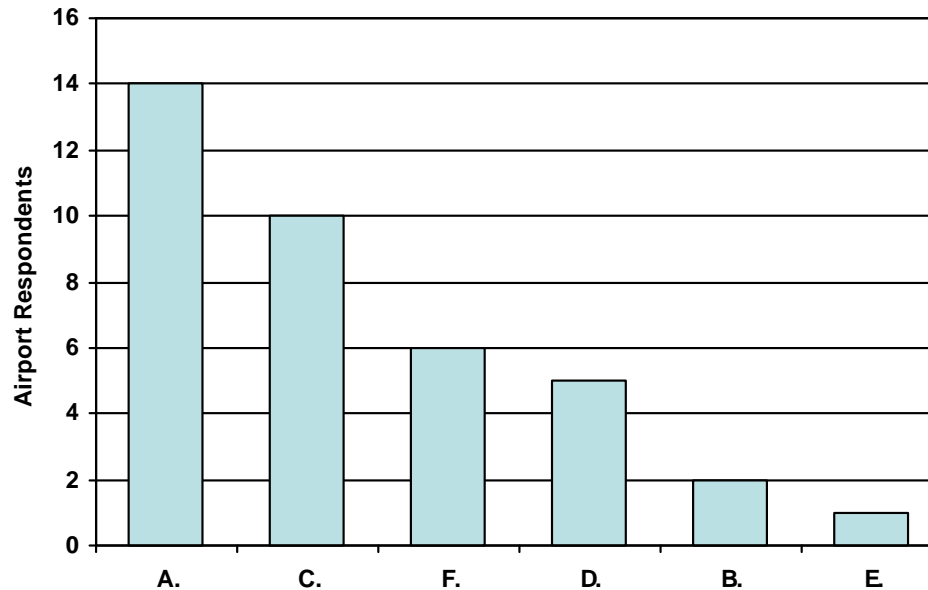


# Insurance Purchasing Decision

- Respondents were also asked how their insurance purchasing decision process would be affected if airports were included in the liability cap for a terrorist event that currently applies to airlines.
- A total of 14 airports (41%) stated that they would now justify buying either TRIPRA, war risk, or both, up to the cap amount since that would reduce the total risk of terrorism liability to a negligible amount.
- However, 10 airports (29%) do not feel confident that a cap would give airports the immunity and would continue to buy the coverage they are buying now.
- In addition, 5 airports states that they do not currently buy terrorism coverage and a cap would not change their insurance purchasing decision for terrorism liability insurance.



# Insurance Purchasing Decision



A. We would now justify buying either TRIPRA, war risk, or both, up to the cap amount since that would reduce the total risk of terrorism liability to a negligible amount
B. We would now feel comfortable retaining the risk (self-insuring) up to the cap amount and would not purchase any type of terrorism coverage. If we currently are purchasing the coverage we would drop it.
C. We currently buy terrorism coverage, and don't feel confident that a cap would give us immunity, thus we would continue to buy the coverage we are buying now.
D. We currently do not buy terrorism coverage, and a cap would not change out insurance purchasing decisions for terrorism liability insurance.
E. Regardless of if a cap exists or not, and regardless on whether insurance is available or not, and regardless of whether we buy any form of the currently available coverage, we still feel we have a significant liability exposure from terrorism. We feel that neither insurance nor a cap is the best risk management strategy for this exposure.
F. We feel that terrorism is not a significant exposure to our airport, we don't buy any coverage for this, and we are indifferent to having a cap available to us.