

Airport Solutions

Asia Pacific

Introduction

Airport Operators face an expanding range of perils. Society is ever more litigious, regulatory scrutiny is increasing, shareholders are becoming more active, terrorism remains an ever-present threat, and new liabilities such as environmental and cyber are emerging.

AIG has been helping airports address these threats for more than 60 years. The breadth of our offering for Airport Operators is unrivalled, with expanded capacity of up to \$500m (MFL) in Property and \$550m for Liabilities.

AIG has tailored a new suite of products for Airport Operators with enhancements that address the industry's specific exposures. This includes:

- Property and Terrorism for Airports
- Airport Operators Liability
- CyberEdge for Airport Operators and Air Navigation Service Providers Operators
- Pollution Legal Liability for Airport Operators
- CorporateGuard Directors and Officers Liability for Aviation
- Kidnap, Ransom and Extortion Insurance
- Airport Operators Crisis Containment
- Airport Contractors Insurance Facilities

These enhanced products, coupled with our base Property/Casualty offering for Airport Operators enable AIG to provide a truly innovative multi-line lead that closes coverage gaps in traditional programmes, and ensures consistency in claims handling.

About AIG

We have established ourselves as a world leader in insurance by helping our partners and customers realize their own plans for the future. Our fundamental strength lies in the 40,000 employees who serve more than 70 million clients around the world.

AIG has been a leading provider of aviation insurance solutions since 1947. We insure over half of all the major Airport Operators and Air Navigation Service Providers globally, including seven of the top ten by passenger volume.

Our deep understanding of the aerospace industry makes us a valuable long-term partner for our clients. We have the expertise, creativity and ability to address virtually any aerospace-related risk. Our specialized claims and safety and loss control teams provide optimal service to insureds whether resolving claims or preventing them, worldwide.

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Property and Terrorism for Airports

Exposures

With the emergence of a new generation of high-capacity airports, operating constantly at or near capacity, insured values have increased dramatically and business interruption risks have increased. Terrorism remains an ever-present threat, whilst political violence is an emerging risk in APAC.

Coverage Discussion

Following the 2010/11 two-year cycle of extreme Cat events, heightened awareness of Cat exposures is leading to capacity restrictions in a number of highly exposed territories.

Terrorism capacity remains largely restricted to specialist insurers, and consequently clients' first party programmes are frequently split across differing Property and Terrorism carriers, with consequent uncertainty in the event of cross-class claims.

Obtaining comprehensive cover for unusual Business Interruption exposures, for instance "denial of access" incidents, infectious diseases, or terrorist events, can also prove difficult for Airport Operators.

AIG's Solution

AIG is able to deploy large lead lines on both Property and Terrorism risks for Airports, enabling a single multi-line leader to be appointed, simplifying claims handling in the event of cross class claims.

Our Property capacity extends up to \$500m on a Maximum Foreseeable Loss basis, equivalent to \$1.5bn total sum insured for many clients, whilst our broad Terrorism offering, which covers risks from pure Terrorism through to Revolutions, Mutinies and Nationalization, can be catered for with AIG's \$100m lead capacity.

Our coverage can be tailored to cover a broad range of circumstances that can result in Business Interruption at an Airport, including the aforementioned scenarios.

Additional Services

Our lead line capacity is complemented by AIG's respected Risk Engineering services.

With over 500 engineering resources globally, we can deploy engineers with sector-specific experience to service Airport Operators with world-class risk management advice.



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Airport Operators' Liability

Exposures

Airport operations are diverse, specialized, and high risk. Very high equipment value coupled with large numbers of passengers makes for significant exposures for Airport Operators.

Coverage Discussion

As every airport is unique, Airport Operators' Liability programmes must be tailored to the specific operations undertaken. The interaction between the various products that make up a programme is complex, and experience is required to ensure that clients obtain seamless coverage. Few insurers are able to provide these programmes, and even fewer can provide the very large limits that airports need.

AIG's Solution

With over 60 years' experience writing airports, and a substantial portfolio including over half of all major airport operators worldwide, AIG has the experience and expertise to tailor seamless programmes for clients. Our capacity is the largest in the market, with a net line of up to \$550m.

Some of the products we use to construct an Airport Operator's liabilities programme include:

- Airport Owners and Operators Liability:
- Air Navigation Service Providers Liability
- Hangarkeepers Liability
- Ground Handling Liability
- Airport Security Services Liability
- Airline Catering

- Aircraft Refuelling and Refining
- Terrorism Liability
- Aviation Workers Compensation & Employers Liability

Additional Services

Airport Risk Management

AIG provides a panel of independent Aviation specific consultants that it can deploy globally to provide: Operational Safety and Risk Management Surveys; Human Factors Reviews; Contractual Reviews; and e-Discovery workshops.

Legal Panel

AIG maintains a panel of Aviation lawyers including Holman Fenwick & Willan, Gates & Partners and Clyde & Co, amongst others. AIG works with its major clients to determine the appropriate lawyer to name on their policies to minimize potential conflicts in the event of a loss.

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CyberEdge for Air Navigation Service Providers

Exposures

Air Traffic Control systems (ATC) are high profile targets whose outage could cause considerable losses. With the move to internet-based technologies, vulnerabilities are increasingly clear and present:

- A 2009 US government audit of ATC system vulnerabilities found 763 high-risk vulnerabilities, which could “provide an attacker with immediate access into a computer system, such as allowing execution of remote commands”. The audit concluded that “it is likely to be a matter of when, not if, ATC systems encounter attacks that do serious harm to ATC operations”
- In June 2012, South Korea’s JoongAng Daily reported that police had arrested a man for involvement in a plot to launch a cyberattack against Incheon airport, using viruses allegedly developed by the North’s Reconnaissance General Bureau. “The police and intelligence authorities also suspect that the North’s Reconnaissance General Bureau is behind a technical glitch in the flight data processor that paralyzed Air Traffic Control at Incheon International Airport for nearly an hour last Sept. 15....The glitch disrupted the departures of 18 airplanes from the airport”

Following any incident, concerted public relations efforts could be required to restore public trust.

Coverage Discussion

Cyber risks are generally excluded from IAR and Terrorism forms, meaning that Air Navigation Service Providers may not have cover for cyber-related first party business interruption losses. ATC liability forms can be configured so that they do not specifically exclude cyber claims, but cover must be triggered by bodily injury or property damage, leaving Air Navigation Service Providers exposed. Public Relations costs are typically not covered by any traditional insurance policies.

AIG’s Solution

AIG’s bespoke ATC CyberEdge form addresses these gaps with cover that includes:

- Loss of revenue resulting from an outage of the ATC system due to a security failure
- Cover for costs to restore or recreate ATC systems data
- Costs to address cyber-related extortion
- Direct access to Public Relations and legal experts to mitigate damage to the operator’s reputation
- Investigation costs, defense costs, and fines and penalties

Additionally, the product provides as standard our acclaimed CyberEdge coverage (see overleaf), including broad coverage for losses arising out of loss of personal or corporate information, including third party liability, defence costs, and costs surrounding repair of reputation.

¹ Review of Web Applications Security and Intrusion Detection in Air Navigation Service Providers Systems. Federal Aviation Administration, Report Number: FI-2009-049. Date Issued: May 4, 2009.

² Incheon Airport cyberattack traced to Pyongyang – Korea JoongAng Daily, June 05, 2012.

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CyberEdge for Airport Operators

Exposures

With recent data breaches hitting the headlines globally, and research showing that average costs of network security breaches are over \$5m, companies are re-evaluating their approach to cyber risk.

Airport Operators have unique network security and privacy challenges. Extraordinary volumes of personal data are captured and shared amongst airport, airline and government systems over airport operators' networks. This includes ID and credit card data that is highly attractive to cyber criminals and malicious insiders.

Public sensitivity to both ID theft and aviation security has the potential to magnify the public relations effect of any potential breach. Against this backdrop, it is no wonder that cyber risk is an increasingly important agenda item for Airport Operators' boards.

Coverage Discussion

Most traditional insurance policies do not provide adequate coverage or protection for fast-evolving cyber exposures:

- Property and Terrorism policies exclude cyber risks, and data is not considered tangible property
- Crime policies require intentional acts and only cover money, securities, and tangible property
- General Liability policies typically offer no cover for cyber risks

AIG's Solution

CyberEdge is specifically designed to address these exposures, providing specialist coverage not available under traditional policies. Core coverage includes:

- Liability arising out of breaches of personal or corporate information, including where systems are outsourced to a third party but the policyholder remains legally liable.
- Damage resulting from any breach of duty that ends in third party data being contaminated by malicious code, wrongful denial of access to data by a third party, or the theft of an access code.
- Destruction, modification, corruption, damage or deletion of Data stored on any Computer System due to a security failure.

Defence Costs – Both Civil and Criminal, including defence costs in respect of any regulatory investigation or criminal prosecution brought by a public authority.

The policy provides direct access to specialist legal and public relations advisors in the event of an actual or suspected data loss; advice to help insureds mitigate or prevent a loss; and a myriad of other benefits.

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Pollution Legal Liability for Airport Operators

Exposures

Airport Operators face a number of unique pollution-related risks resulting from their operations, including risks related to:

- fuelling, including potential seepage from underground storage tanks and inadvertent spillages;
- fire-fighting activities, which can introduce persistent organic pollutants such as PFOS and PFOA;
- de-icing activities; and
- drainage operation, including seepage of run-off fuel from triple interceptor pits.

Remediation of aviation-related pollution incidents can be highly complex and expensive. Airport Operators' high public profile may result in close monitoring by environmental regulatory authorities, and there is a community expectation that high environmental standards are maintained.

Coverage Discussion

General Liabilities programmes will seldom respond adequately to serious pollution incidents. Where pollution is not completely excluded, General Liabilities policies will solely cover claims for sudden and accidental pollution causing damage to a third party. This results in significant coverage gaps.

General Liabilities policies will not cover claims for gradual pollution or seepage events, and nor will they cover first party (onsite) losses.

AIG's Solution

AIG's Pollution Legal Liability for Airport Operators policy is a bespoke pollution liability wording that can provide a range of coverage for onsite and offsite gradual pollution, as well as sudden and accidental pollution. This can include clean-up costs that are incurred as a result of a statutory trigger, for instance, compliance with environmental regulations, or clean-up mandated by a regulator.

AIG's Pollution Legal Liability has been further enhanced for Airport operators as follows:

- Cover for above-ground and underground storage tanks including owned and leased tanks
- Cover for pre-existing historical conditions including PFOS/PFOA solutions
- Natural resource damages
- First party business interruption should remediation financially impede business activities
- Contractual liability, including liability that arises from lease agreements
- First party cover, including for pollution discovered by the Insured.

Cover can also be extended for pollution liabilities that arise from dedicated construction works on site.

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CorporateGuard D&O for Aviation

Exposures

Directors and Officers of Airport Operators may be subject to extreme regulatory scrutiny in the wake of even a minor incident, and individuals' interests may best be served by obtaining legal representation at such investigations, or even by hiring public relations experts.

Investigations can be lengthy, involve several regulators, and costs involved in obtaining legal representation can run into the millions of dollars. In many jurisdictions, an organization may not advance these costs to employees, leaving them critically exposed.

Coverage Discussion

Whilst most Aviation policies cover both the entity and individuals for defence costs, these policies are only triggered by bodily injury or property damage, and would not cover investigations into near misses, level busts, frequent loss of separation, runway incursion, maintenance schedule breaches, failure of signage and lighting, etc.

AIG's Solution

AIG's bespoke CorporateGuard for Aviation form builds on the widely acclaimed coverage of the base form, with enhancements that address these specific exposures.

Investigations costs coverage has been amended to specifically include investigations by any Civil Aviation Authority, and the policy is extended to include a fund for public relations expenses in the event of a named crisis.

The standard list of crises has been augmented to include:

- Air Disasters
- Terrorist Attacks
- Political Violence
- Security Breaches

Air Disaster Defence Costs are specifically carved out of the form's Bodily Injury and Property Damage exclusion, to give further comfort.

Additional Services

A panel of Aviation Lawyers including Clyde & Co, Holman Fenwick and Gates & Partners, can be appended to the policy, with a hotline for the client's use in the event of an emergency.

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Kidnap, Ransom and Extortion

Exposures

Aviation is a high-profile target for criminal and terrorist elements, and this risk factor is frequently compounded by extensive employee travel to moderate and higher-risk countries. In the event that an airport suffers an extortion threat, or an employee is kidnapped for ransom, the company faces the immediate problem of how to appropriately respond to the incident. Incorrect handling can result in business interruption, litigation, adverse publicity and long-term damage to reputation.

Coverage Discussion

Kidnap, Ransom and Extortion (KRE) is a highly specialized class of insurance. In the absence of a specific policy, standard property and casualty insurance programmes would neither provide cover for direct financial losses, nor for the costs of hiring specialist KRE crisis consultants.

AIG's Solution

KRE coverage is available standalone, or as an extension to CorporateGuard D&O.

Both forms include access to NYA International Limited (NYA), the renowned specialist crisis management and response consultancy with over 20 years' experience helping clients manage incidents of abduction, kidnap for ransom, piracy, extortion, wrongful detention, malicious product tampering and other crises.

AIG's comprehensive solution helps clients reduce their exposure to these threats. Standalone policies are tailored to clients' needs and guarantee unlimited access to NYA's services.

NYA risk mitigation services can be provided to help clients to develop and implement appropriate protocols to handle incidents, mitigating risk as far as possible.

AIG's KRE coverage highlights includes;

- Ransom/extortion payment
- Loss of payment in-transit
- Security consultants expenses (unlimited in the standalone policy)
- Business interruption losses
- Judgments, settlements and defence costs
- Additional expenses (travel, medical)
- Death or dismemberment benefits arising from a covered incident
- 24 hour emergency response helpline



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Airport Crisis Containment

Exposures

Aviation is a highly sensitive industry where companies' reputations are critical to their success. In the event of unforeseen events, companies need to respond quickly to limit damages.

Airports face a broad range of exposures which could fall into the definition of a "crisis", ranging from air disasters to threats of terrorism.

Coverage Discussion

Traditional insurance policies do not typically cover the costs involved in handling crises, and AIG's Aviation Crisis Containment policy steps into that void.

AIG's Solution

Our airport crisis containment policy covers the fees and expenses of external consultants to help manage a crisis, enabling management to focus on running the company. Consultants can be used as a front line resource or in support of the company's own crisis management plans.

Costs associated with travel, increased security, press releases, media advertising etc are covered, to mitigate the effect of a crisis.

AIG maintains a panel of expert consultants, or clients can use their own consultants if approved by AIG.

The definition of crisis includes events with the potential to cause financial loss or adverse publicity, ensuring that action can be taken early to avoid or mitigate a potential crisis.

Named events include, amongst others:

- Air disasters
- Terrorist attacks
- Wrongful detention or kidnapping
- Property damage extortion
- Boycotts
- Strikes
- Airport closures, other than for excluded reasons (extreme weather, maintenance, etc)
- Sudden death, impairment or departure of a senior executive
- Damage or destruction of a group of properties
- Sudden and accidental injury to groups of 10 or more people

Cover is provided worldwide.

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Facilities for Airport Contractors' Liability

Exposures

Third parties suffering property damage or injury on an airport's premises will frequently file their claim either solely or jointly against the airport, even if a contractor caused the loss. Such claims can range from aircraft damage through to passenger injuries from a fall. Airport Operators are therefore exposed to liabilities not of their own making, and these can be substantial.

Coverage Discussion

Claims brought against an airport operator, but caused by a contractor, will be pursued against the contractor. In the absence of adequate insurance, the contractor may not have the financial resources to pay the recovery.

Should full recovery not be possible, at least part of the loss will remain on the airport's own insurance programme, negatively impacting its loss history. Furthermore, pursuit of an indemnity from an uninsured contractor may jeopardize the commercial relationship between airport and contractor.

AIG's Solution

In many jurisdictions, airport contractors are required by statute, regulation or contract to carry specified levels of liability insurance. Airside access and groundside concessions are only granted to contractors complying with these requirements.

AIG operates facilities for certain Airport Operators which provide contractors with simple access to the necessary insurance at predetermined rates. This has enabled the Airport Operator to impose insurance requirements quickly and efficiently, with limited impact to the contractors.

There are manifold benefits to an airport operator in requiring contractors and concessionaires to carry liability insurance, including:

- Reduction in the airport's liability exposure, which may be taken into account by insurers;
- Improved contractor risk management, resulting in a safer airport environment;
- Faster resolution of claims, protecting the airport operator's reputation.



Bring on tomorrow

AIG APAC Holdings Pte. Ltd.
78 Shenton Way
Chartis Building 11-16
Singapore 079120

www.AIG.com