

TUCSON AIRPORT AUTHORITY | Board of Directors Special Meeting

Tuesday, August 9, 2022

Immediately following the Finance and Risk Management Council meeting that begins at 9:00 a.m.

Virtual Meeting

Pursuant to A.R.S. § 38-431.02, notice is hereby given to the members of the Tucson Airport Authority (TAA) and to the public that the **Board of Directors** will hold a meeting open to the public on **Wednesday, August 9, 2022, immediately following the Finance and Risk Management Council meeting that begins at 9:00 a.m.** The meeting will be held by video and telephonically via the remote participation platform Microsoft Teams. The registration form may be accessed via the hyperlink below. Upon submitting the registration form, attendees will receive an email confirmation containing the information to join the meeting virtually or by phone.

MICROSOFT TEAMS REGISTRATION FORM

The agenda for the meeting is as follows:

1. CALL TO ORDER | ROLL CALL

- | | | |
|--|--|--|
| <input type="checkbox"/> Bruce Dusenberry, Chair | <input type="checkbox"/> Phil Swaim, Treasurer | <input type="checkbox"/> Todd Jackson, Director |
| <input type="checkbox"/> Keri Silvyn, Vice Chair | <input type="checkbox"/> Rob Draper, Director | <input type="checkbox"/> Sally Fernandez, Director |
| <input type="checkbox"/> Mike Hammond, Secretary | <input type="checkbox"/> Judy Rich, Director | <input type="checkbox"/> Vance Falbaum, Director |

2. CONSENT AGENDA

Matters listed under the Consent Agenda are routine and will be enacted by one motion and one vote. There will be no separate discussion of the items on the Consent Agenda unless removed from the Consent Agenda by the Board Chair after a request of a member of the Board of Directors. If removed from the Consent Agenda, the item(s) will be considered separately and individually.

- a. APPROVAL OF MINUTES:** Approve the minutes of the Board of Directors regular meeting held on June 1, 2022.

3. ACTION ITEMS

- a. EMPLOYEE GROUP INSURANCE FOR FY 2023:** The Board of Directors will consider and may adopt Resolution No. 2022-13 approving the Tucson Airport Authority's employee group insurance coverages for the policy year beginning October 1, 2022 and ending September 30, 2023.
- b. WORKERS' COMPENSATION INSURANCE FOR FY 2023:** The Board of Directors will consider and may adopt Resolution No. 2022-14 approving the Tucson Airport

Authority's Workers' Compensation insurance coverage for the policy year beginning September 1, 2022 and ending August 31, 2023.

- c. **COMMERCIAL LINES OF INSURANCE FOR FY 2023:** The Board of Directors will consider and may adopt Resolution No. 2022-15 approving the Tucson Airport Authority's commercial lines of insurance for the policy year beginning August 15, 2022 and ending August 14, 2023.

4. NEXT MEETING

Wednesday, September 7, 2022 | 3:00 p.m. | Hybrid Meeting – TAA Board Room or Microsoft Teams

5. ADJOURN

**TUCSON AIRPORT AUTHORITY | Board of Directors Regular Meeting
Wednesday, June 1, 2022 | 3:00 p.m. | Hybrid Meeting**

THIS BOARD MEETING WAS A HYBRID MEETING, WITH DIRECTORS ATTENDING IN PERSON OR VIRTUALLY VIA MICROSOFT TEAMS OR TELEPHONICALLY. MEMBERS OF THE PUBLIC WERE ABLE TO ATTEND IN PERSON. THOSE WHO COMPLETED A REGISTRATION FORM RECEIVED A LINK TO VIEW THE MEETING VIA MICROSOFT TEAMS OR TO LISTEN TELEPHONICALLY.

1. CALL TO ORDER | ROLL CALL

Chair Dusenberry called the meeting to order at 3:02 p.m.

Directors Present: Board Room (In-person):
Chair Bruce Dusenberry, Treasurer Phil Swaim, and Director Judy Rich

Microsoft Teams (Virtual):
Vice Chair Keri Silvyn, Secretary Mike Hammond, Director Rob Draper, Director Todd Jackson, and Director Sally Fernandez

Directors Absent: Director Vance Falbaum

Staff Present: President/Chief Executive Officer Danette Bewley, Executive Vice President/Chief Operating Officer Bruce Goetz, Vice President/General Counsel Christopher Schmaltz, Vice President/Chief Commercial Officer John Voorhees, Vice President/Chief Financial Officer Kirk Eickhoff, Deputy General Counsel Kim Ryan, IT Customer Support Technician Randy Janek, and TAA Clerk Byron Jones

2. CONSENT AGENDA

- a. APPROVAL OF MINUTES:** Approve the minutes of the Board of Directors regular meeting held on April 6, 2022.

MOTION BY Treasurer Swaim, SECONDED BY Director Rich, to APPROVE the consent agenda. The motion carried by the following vote:

Ayes 8 Chair Dusenberry, Vice Chair Silvyn, Secretary Hammond, Treasurer Swaim, Director Draper, Director Rich, Director Jackson, and Director Fernandez

Nays 0

3. BOARD CHAIR REPORT

Chair Dusenberry reported on the following:

- a. TAA and Staff Recognition | New or Promoted Employees, Awards, and Acknowledgments
 - The TAA continues to experience movement in talent acquisition and retention due to competition and retirement. Nevertheless, the TAA continues to be an attractive employer and the airport a unique place to work. These individuals recently joined the TAA:
 - Jennifer Pegnato, Airport Emergency Manager
 - Alexander Rios, Police Officer
 - On April 29, 2022, the TAA was recognized by the Metropolitan Pima Alliance at the Common Ground Awards ceremony (as a top tier winner) for the collaborative work it performed to coordinate land transactions related to the Airfield Safety Enhancement Project.
 - On May 25, 2022, the TAA and Delta Air Lines jointly sponsored the first post-pandemic blood drive in conjunction with the American Red Cross. They collected 25 units of blood, exceeding their goal of 16 units. The American Red Cross advises that this blood has the potential to save 75 lives. We are grateful to our donors and their life-saving support of the community.

4. PRESIDENT/CEO REPORT

President/CEO Danette Bewley reported on the following:

- a. State of the Industry | Update
 - More than 12 million people flew over the Memorial Day weekend, with one U.S. airline seeing a 25% uptick in travelers compared to 2021.
 - Air service at TUS has rebounded to between 85% and 90% of pre-pandemic levels. Nationwide pilot shortages continue to hamper the recovery.

- b. Strategic Plan 2.0 | Update

A memo and report were included in the agenda packet. Bewley invited the directors to contact her with questions.

c. Working Nonstop for Tucson | Article

The TAA regularly contributes to local and national publications as part of its community outreach. An article entitled “Working Nonstop for Tucson” was recently published in the *Tucson Metro Chamber Edge*. A copy of the article was included in the agenda packet.

d. U.S. Department of Transportation Grant Award

U.S. Congressman Raul Grijalva recently announced that the TAA was awarded an \$18M grant by the Federal Aviation Administration (FAA) for the Airfield Safety Enhancement Program. A copy of the press release was included in the agenda packet.

e. Open Meeting Law Compliance

Vice President/General Counsel Christopher Schmaltz reported on a recent letter sent by the Arizona Attorney General’s Office to the Pima County Community College District Governing Board. The letter was in response to a report of potential misconduct by members of the District Governing Board. A copy of the letter was included in the agenda packet. Schmaltz emphasized that this is an example of Open Meetings Law compliance and why office holders must practice due diligence in how and when they communicate with each other.

5. DISCUSSION/PRESENTATION

a. AIRLINE INDUSTRY | TUS AIR SERVICE UPDATE:

Jack Penning, managing partner with Volaire Aviation, presented on the challenges facing the Tucson market as it recovers from the COVID-19 pandemic.

Current Landscape:

- Flair Airlines will begin service to and from Canada in late 2022. This will be the first time a Canadian carrier has based crews at a U.S. airport.
- Added service to Paine Field in Everett, Washington, which has been a resounding success; also added service to Houston Hobby.
- Lost service to San Jose, California; Bellingham, Washington; and Indianapolis, Indiana. Allegiant Airlines suspended service, but there is hope that they will return in the future. Despite the loss in routes, TUS is well placed heading in the peak fall/winter travel season.
- Despite high fares and a 90% load factor, TUS seat capacity will be down 12% in 2022, with a loss of 770 departing seats per day. The high demand compared to the number of seats is resulting in spillage to other airports.

Priorities and Challenges:

- Airlines are prioritizing maintaining networks over revenue and profitability. With fewer pilots, they are making tough decisions regarding which routes to keep. Furthermore, entire fleets have been retired, and they are having to re-train pilots on the new models, causing additional shortages.
- The price of fuel has increased by 73%. Fuel costs make up 40% of an airline's operating expenses. The increase has made it 17% more expensive to fly a route than it was a year ago.

Future Potential:

- Focus on adding frequency to current routes. For example, San Diego only has one flight per day, which is insufficient for the demand.
- Extend the duration of seasonal service.
- Develop a more aggressive, simplified incentive program. Priorities should include a risk mitigation strategy to help the airlines get over the starting period of service and a marketing plan which demonstrates how the demand in the Tucson market can result in profitability.

ATTACHMENT ONE: "Post-Pandemic Tucson Market: Challenges to Recovery"

b. RESOLUTION ON DELEGATED AUTHORITY:

Vice President/General Counsel Christopher Schmaltz presented.

The primary purpose of the proposed update to the Resolution on Delegated Authority (RODA) is to modernize and streamline business processes, and to clarify ambiguous language in the current resolution. The proposed update was also designed to accomplish the following:

- Remove the Board of Directors from involvement in procurement processes that could potentially result in conflicts of interest;
- Increase the level of expenditures for day-to-day operations the President/CEO is permitted to authorize without Board approval;
- Establish consistency across the board regarding the amount the President/CEO is permitted to authorize without Board approval;
- Grant the President/CEO the authority to execute the annual insurance premiums. The monies allocated to insurance are already approved by the Board as part of the annual budget; however, under the current RODA, Board approval is still required when the policies renew. The change negates the need to hold a special Board meeting dedicated primarily to insurance;

- Give the President/CEO the flexibility to respond to market trends related to employee salaries and benefits; and
- Give the President/CEO and/or the Business and Commercial Development division the authority to execute certain routine real estate transactions.

BOARD DISCUSSION:

- **The proposed resolution does not define an “emergency” or provide a cap on the amount of funds authorized during an emergency.** Schmaltz stated that airport emergencies can involve different scenarios, and it would be difficult to define this in a resolution. Although the Board may rely on the judgment of the President/CEO in consultation with the General Counsel regarding which situations constitute an emergency, it does retain the ability to question the inappropriate use of authority in a non-emergency context.
- **Suggests adding language that the President/CEO has the authority to authorize emergency expenditures if it is not practical to convene a special board meeting within 72 hours. Believes the Board should have a shared understanding of how quickly a Board meeting can be convened.**
- **Believes the revised language in Clause One of the RODA (“...the President/CEO shall have the authority to act on behalf of the Board of Directors and TAA...”)** delegates all the Board’s authority to the President/CEO. Schmaltz stated that the language mirrors what is in the Bylaws.
- **Suggested that the phrase “act on behalf of TAA” matches more closely the Board’s intent.** Schmaltz explained that from a legal standpoint, all authority resides in the Board except as is delegated via the Bylaws or the RODA. The language is appropriate in this context.

6. ACTION ITEMS

a. RESOLUTION ON DELEGATED AUTHORITY:

Chair Dusenberry deferred action on this item and directed staff to consider the concerns raised by Board members and to revisit the issue at a future meeting.

7. EXECUTIVE SESSION

The Board of Directors, upon a majority vote, may convene into executive session for the following:

Pursuant to A.R.S. § 38-431.03(A)(3) and (4): For discussion or consultation for legal advice from the Board’s attorneys and for discussion or consultation with the Board’s attorneys

in order to consider its position and instruct its attorneys regarding the Board's position regarding contracts that are the subject of negotiations, pending or contemplated litigation or in settlement discussions conducted in order to avoid or resolve litigation with TAA tenants and prospective tenants.

MOTION BY Director Rich, SECONDED BY Treasurer Swaim, to CONVENE into executive session. The motion carried by the following vote:

Ayes 8 Chair Dusenberry, Vice Chair Silvyn, Secretary Hammond, Treasurer Swaim, Director Draper, Director Rich, Director Jackson, and Director Fernandez

Nays 0

The regular meeting recessed and the Board convened in executive session at 4:05 p.m.

8. RESUME THE REGULAR MEETING

The executive session adjourned and Chair Dusenberry reconvened the regular meeting at 4:38 p.m.

Secretary Hammond left the meeting during executive session and did not return to the regular meeting.

9. NEXT MEETING

Wednesday, September 7, 2022 | 3:00 p.m. | Hybrid Meeting – TAA Board Room and Microsoft Teams

10. ADJOURN

There being no further business to discuss, Chair Dusenberry adjourned the meeting at 4:40 p.m.

APPROVED BY:

Prepared by:

Michael S. Hammond, Secretary

Byron M. Jones, CMC, TAA Clerk

Date: _____

Date: _____

ATTACHMENT ONE

**“Post-Pandemic Tucson Market: Challenges to Recovery”
PRESENTATION**

Jack Penning, Managing Partner, Volaire Aviation Consulting

Post-Pandemic Tucson Market

Challenges to Recovery

JUNE 2022

Agenda

- **TUS in the Current Landscape**

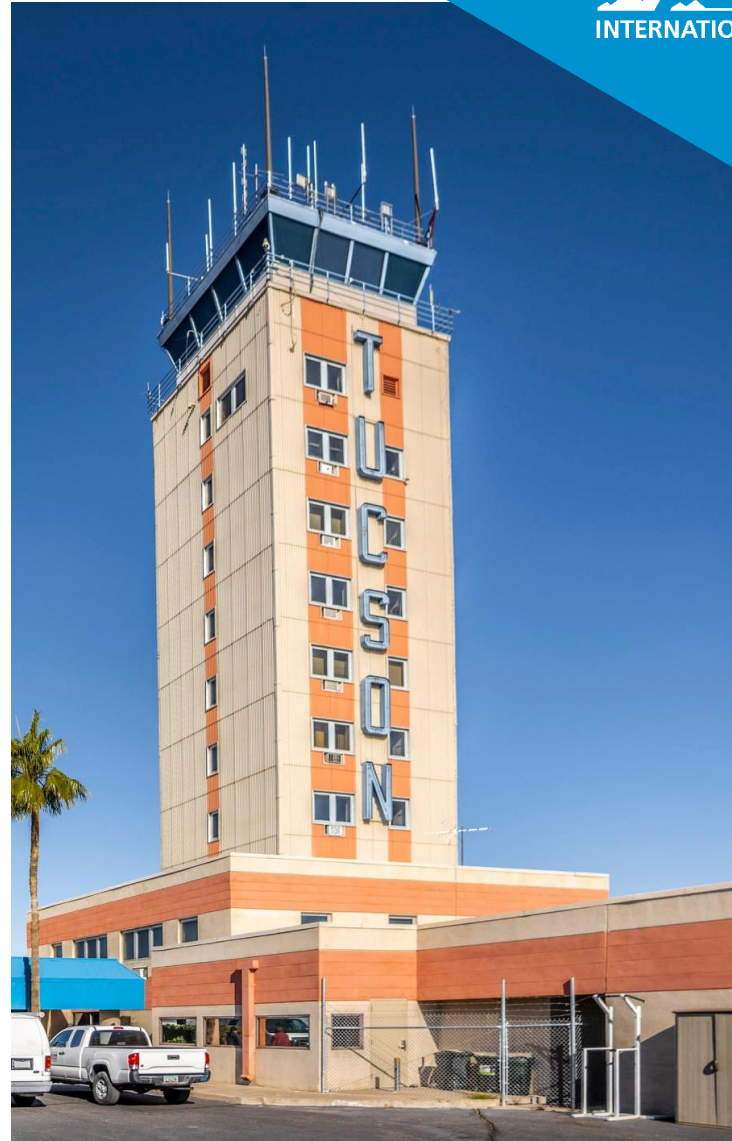
- Current Network
- Demand Recovery
- Capacity Challenges

- **Airline Priorities and Challenges**

- Network Integrity
- Pilot Shortages
- Increasing Costs

- **Future Potential**

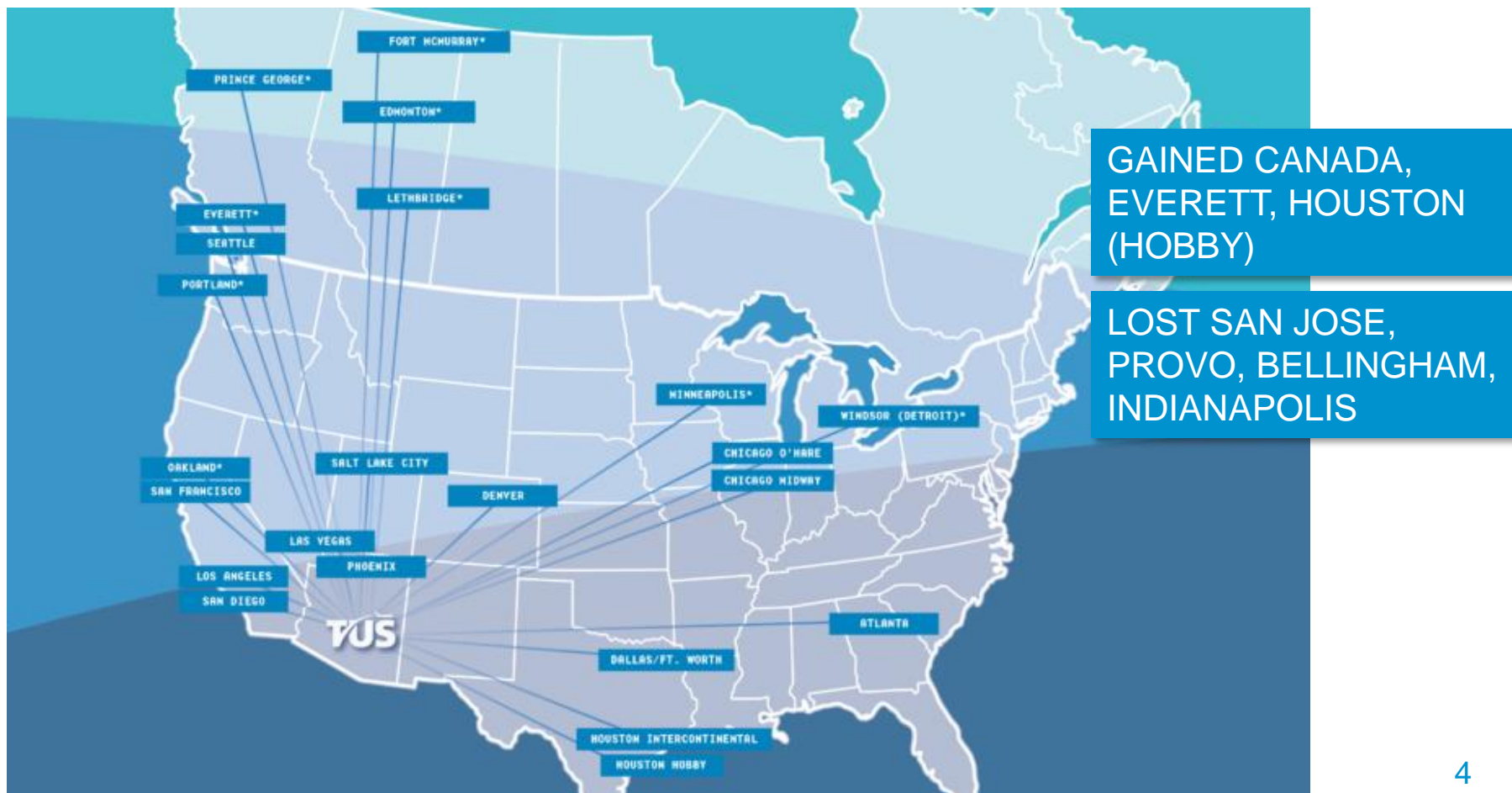
- Goals and Priorities
- Competitive Landscape



Tucson in the Current Landscape

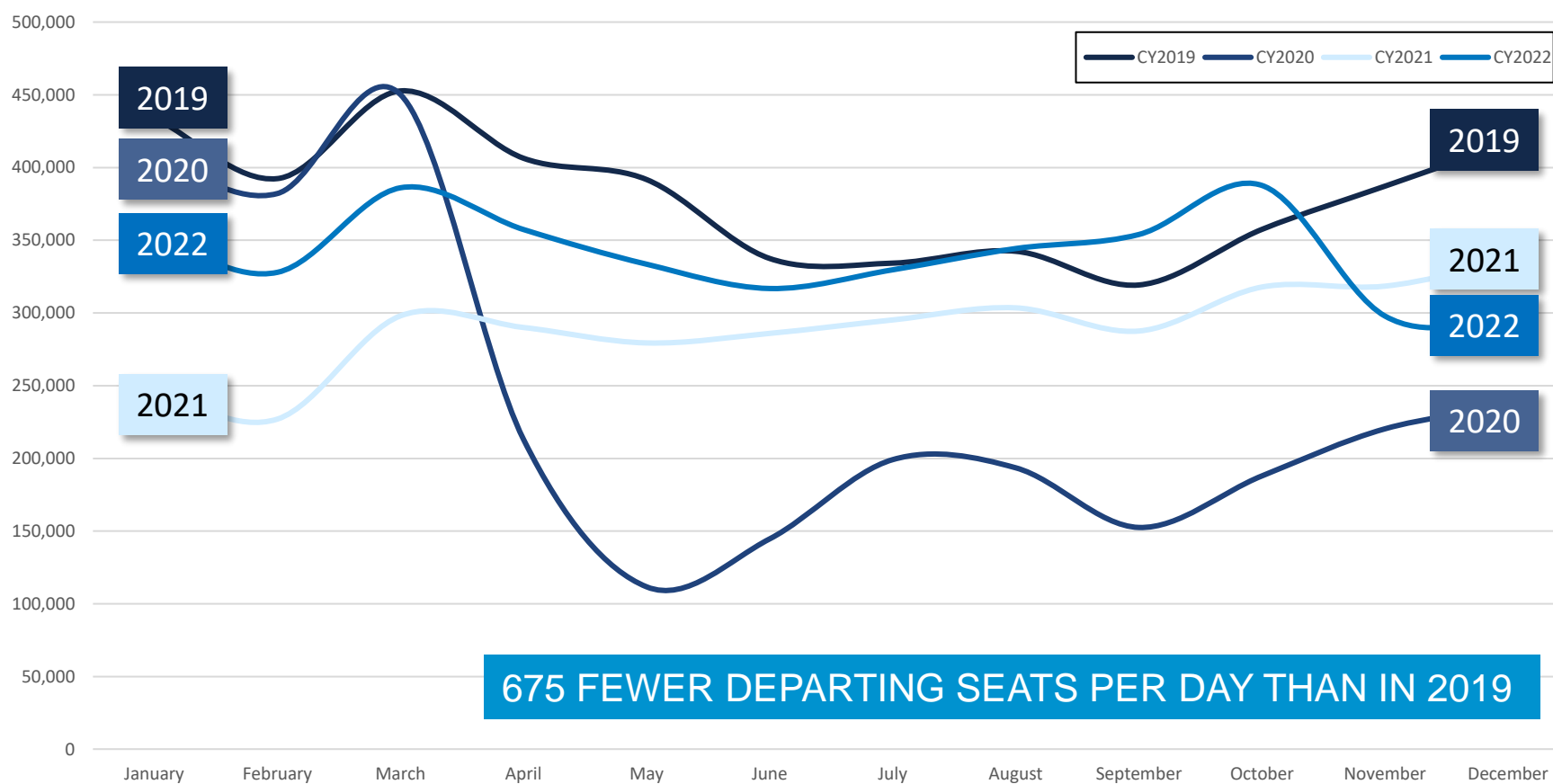
Tucson Will Welcome Canadian Service this Winter

Map of Scheduled Airline Service at Tucson International Airport
May 2022



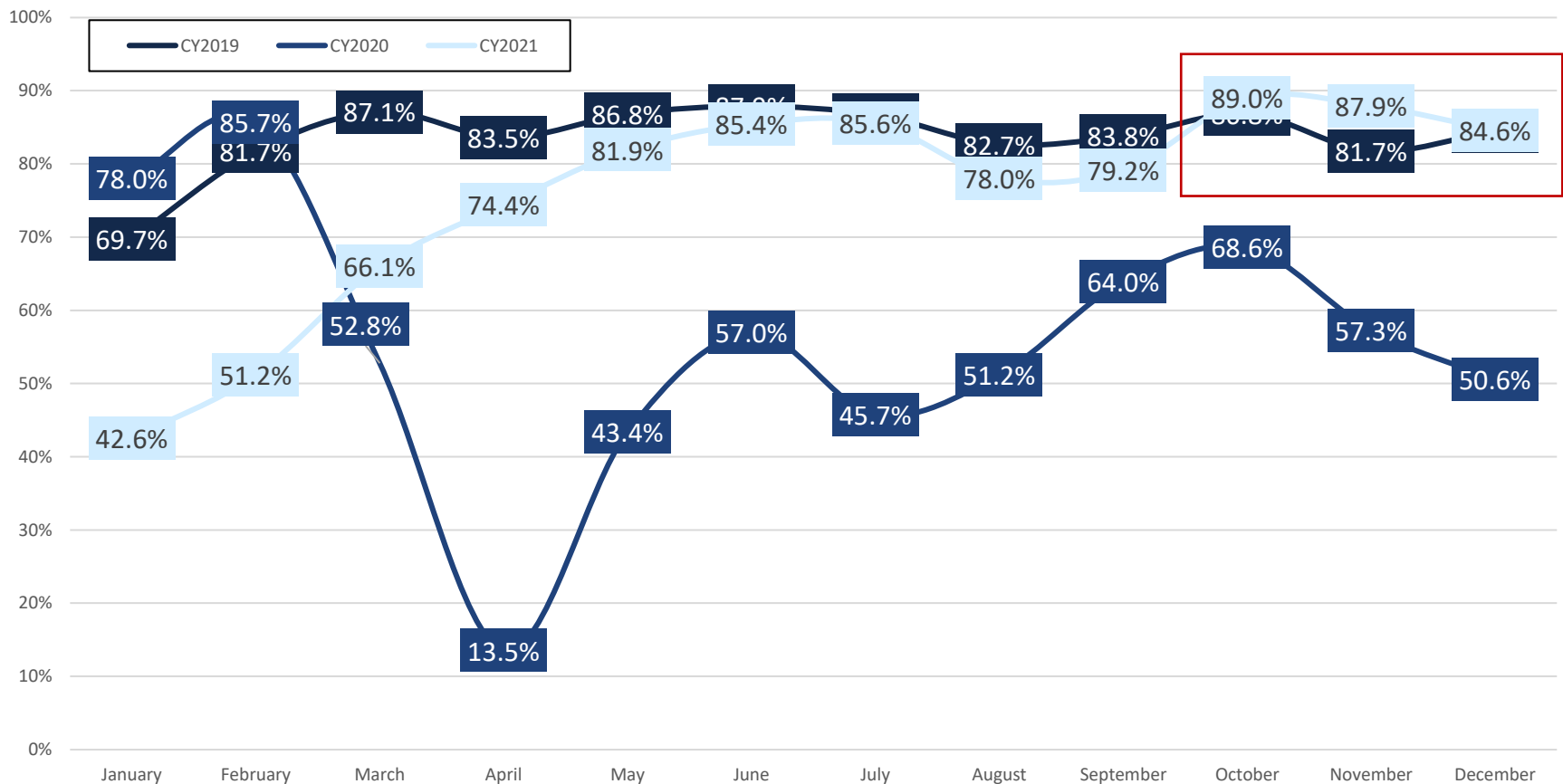
Despite High Fares and Load Factors, Tucson Capacity Will Be Down 11% in 2022, with a Loss of 675 Departing Seats/Day

Scheduled Airline Seats at Tucson
January 2019 to December 2022



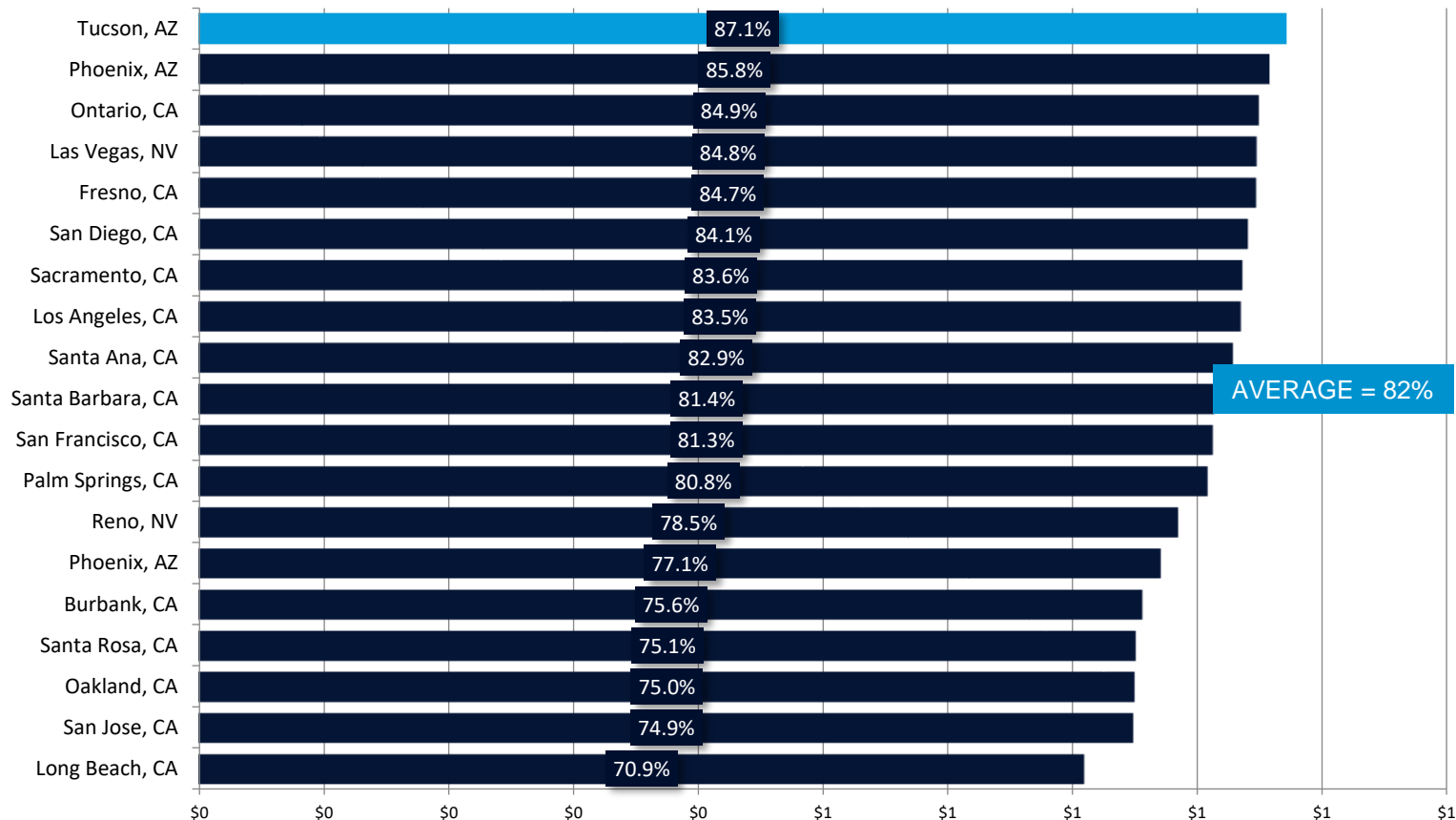
Tucson Load Factors Are Above Pre-Pandemic Levels, with Nearing 90%, and Indicating Passenger Spill

Tucson Monthly Load Factor
January 2019 – December 2021



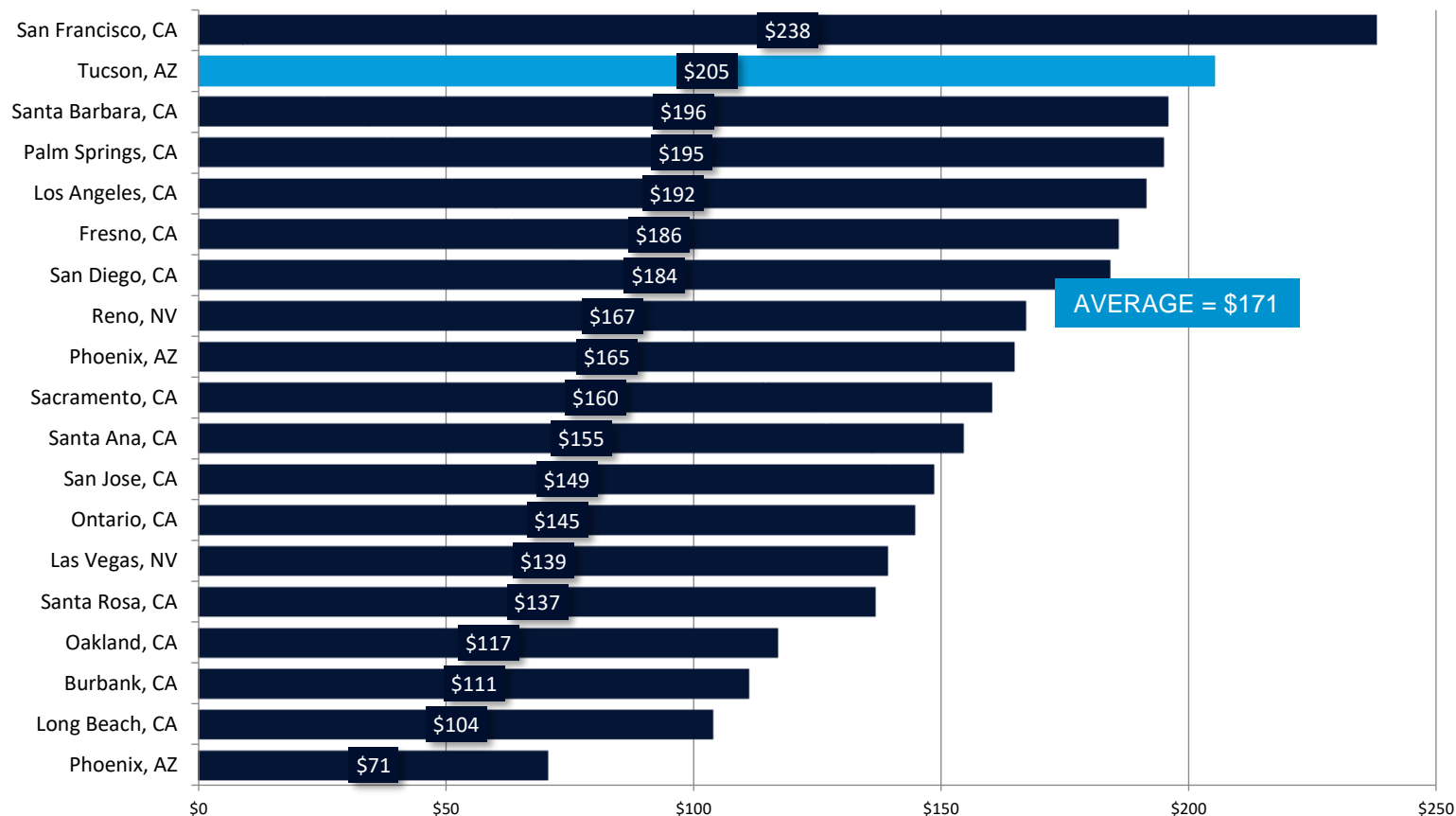
Tucson Has the Highest Load Factor in the Southwest Region, Five Points Above the Average

Average Load Factor at Southwest Region Airports with At Least 400,000 Annual Passengers
Fourth Quarter 2021; Southwest Region Includes Arizona, California, and Nevada



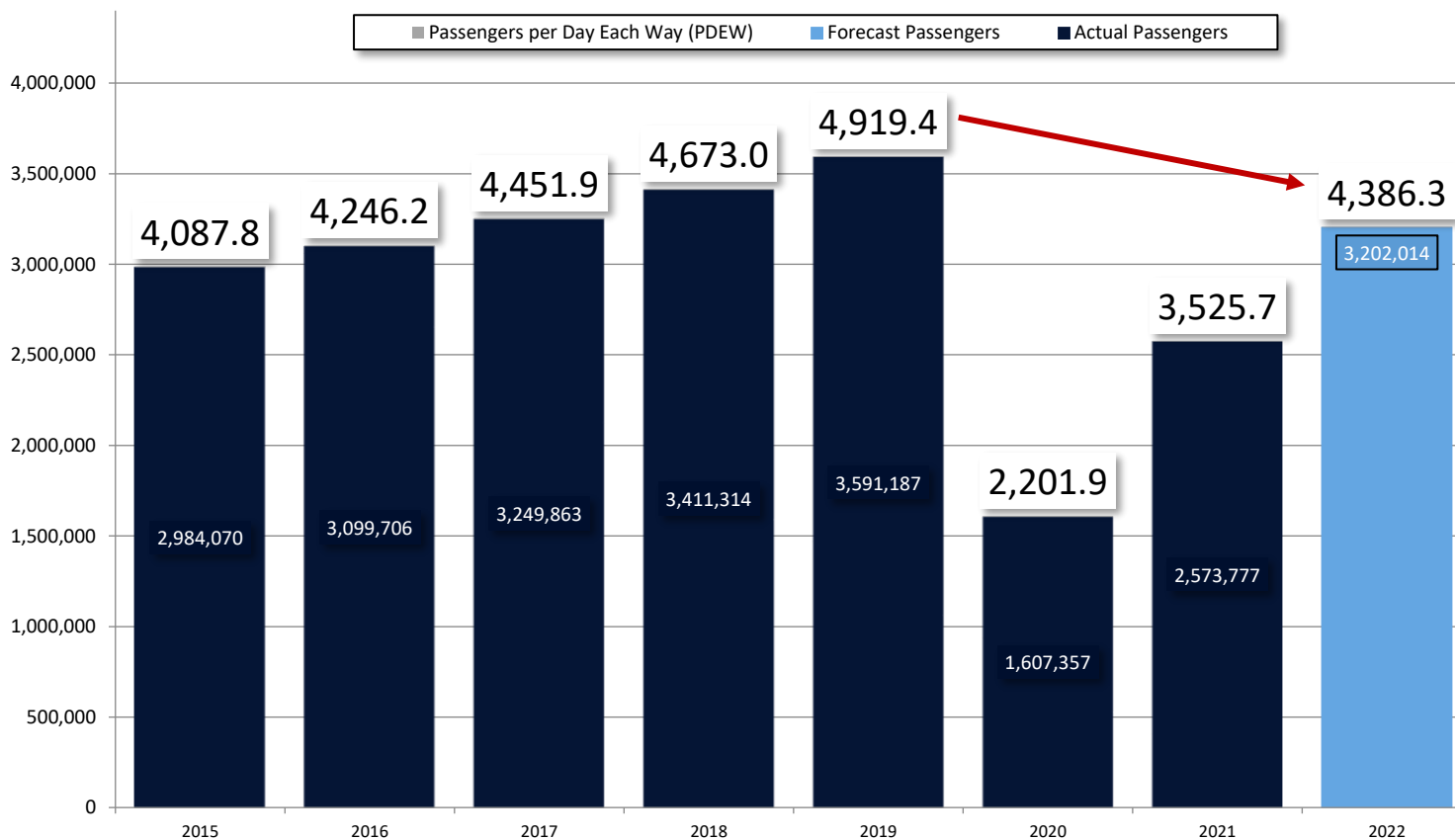
Tucson Supports the Second-Highest Fare in the Southwest, and the Highest of All Medium and Small Hub Airports

Average One Way Fare at Southwest Region Airports with At Least 400,000 Annual Passengers
Third Quarter 2021; Southwest Region Includes Arizona, California, and Nevada



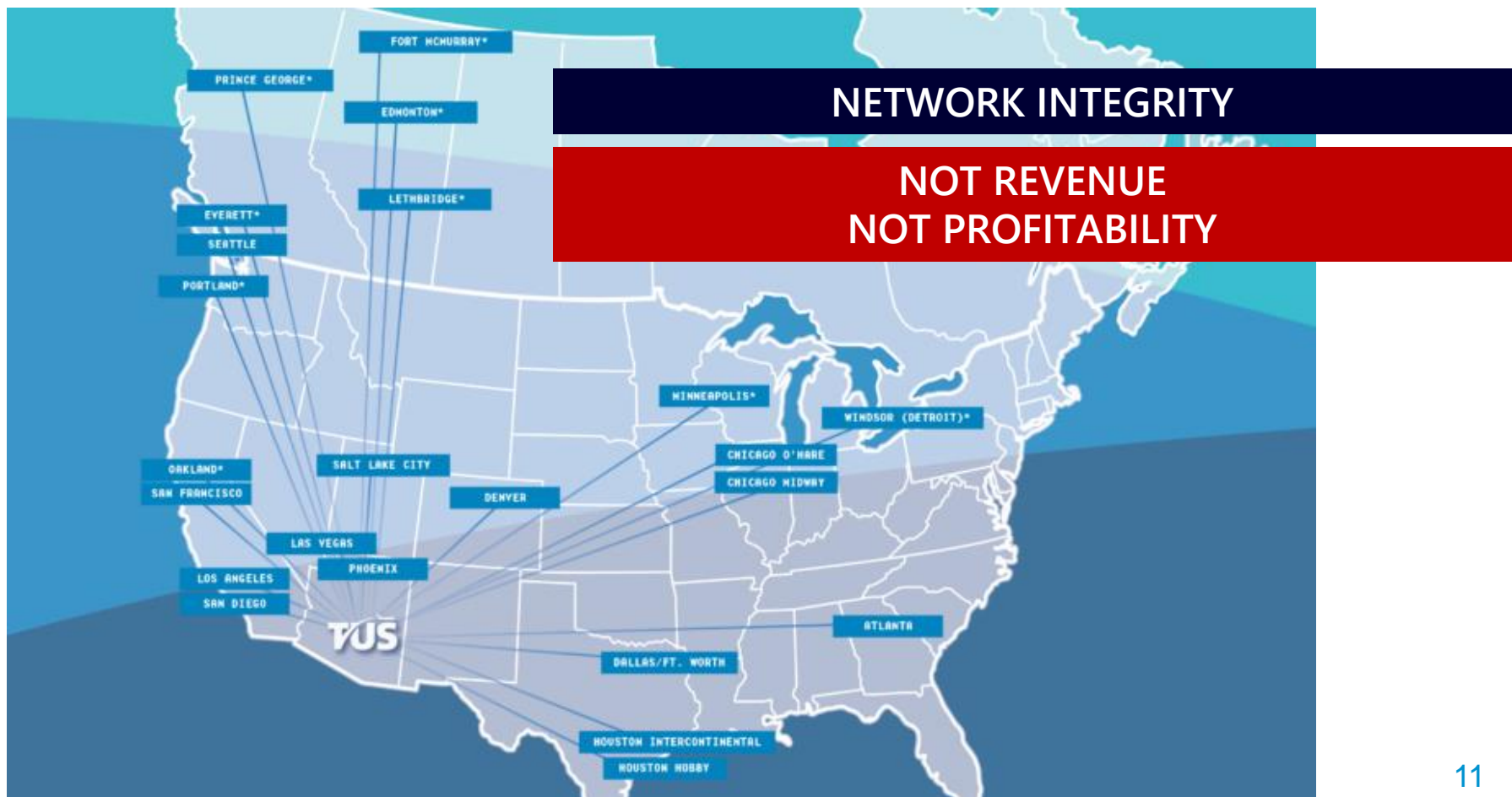
Capacity Limitations Will Keep Tucson Passengers 11% Below the 2019 Peak, and Increase Passenger Spill

O&D Passengers and Forecast Passengers at Tucson International Airport
Calendar Year 2007 – Calendar Year 2021



Airline Priorities and Challenges

Airline Priorities Have Changed



#1 Issue: Pilot Shortages

Regional Pilot Shortage Slows the U.S. Airline Recovery

Bloomberg

A Shortage of Pilots Looms as the Next Challenge for Airlines



United CEO warns of possible pilot shortage

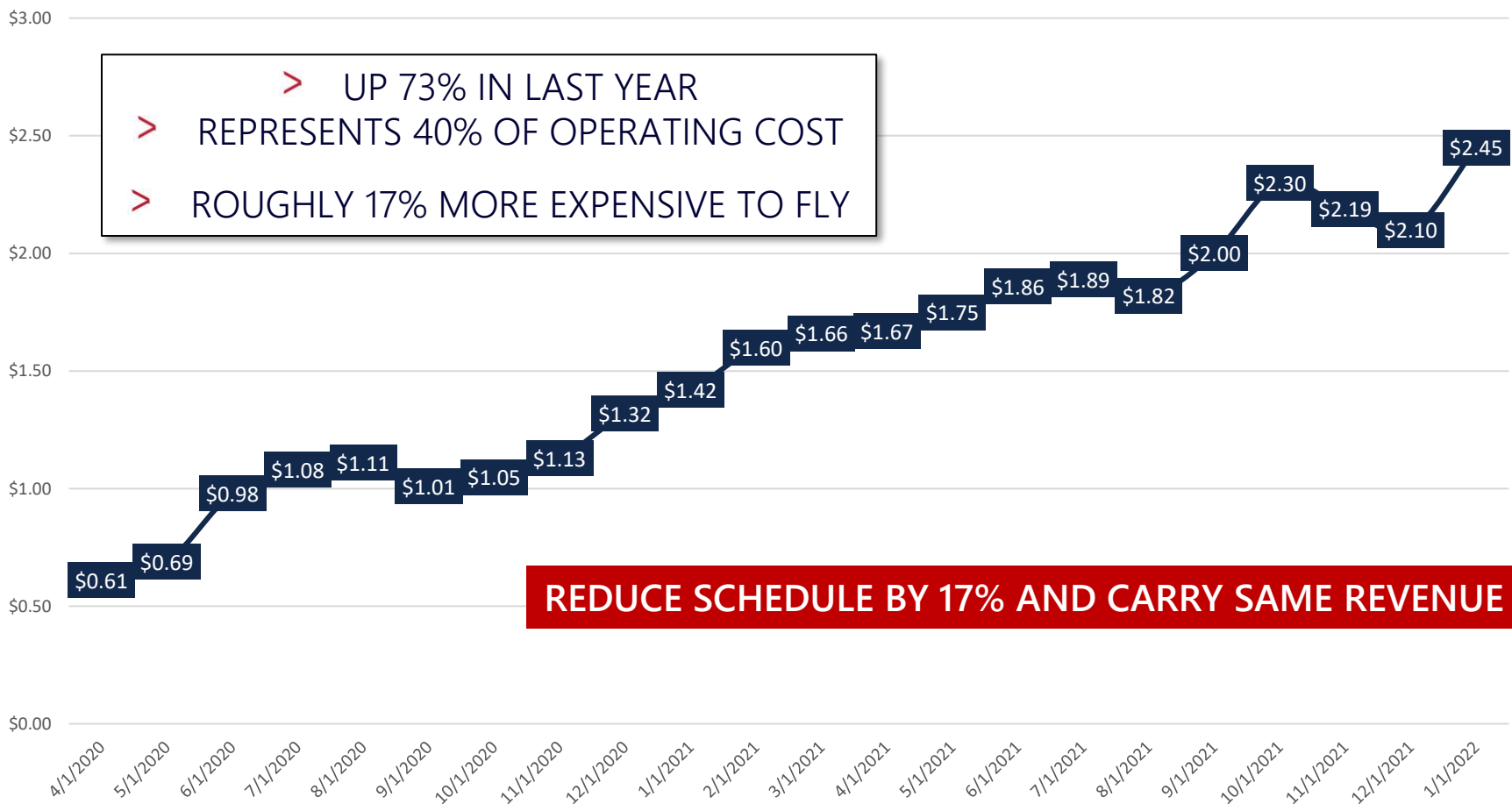


How a pilot shortage could leave travelers with higher fares and fewer options

- 8,000 PILOTS TOOK EARLY RETIREMENT BUYOUTS
 - FEWER AVAILABLE PILOTS THAN OPENINGS
 - TRAINING BACKLOG

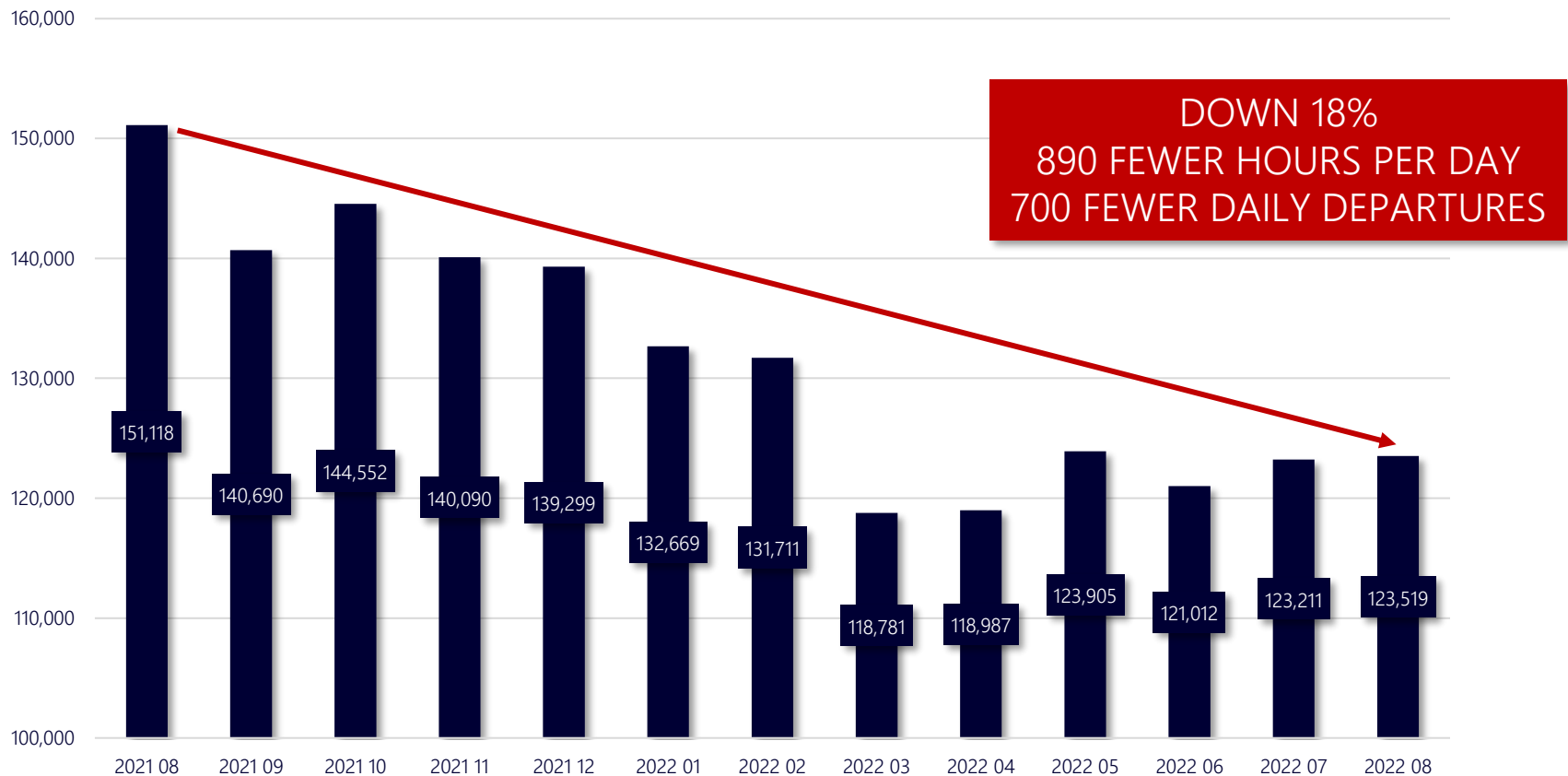
#2 Issue: The Price of Fuel

Jet Fuel Average Price per Gallon
2010 – 2022



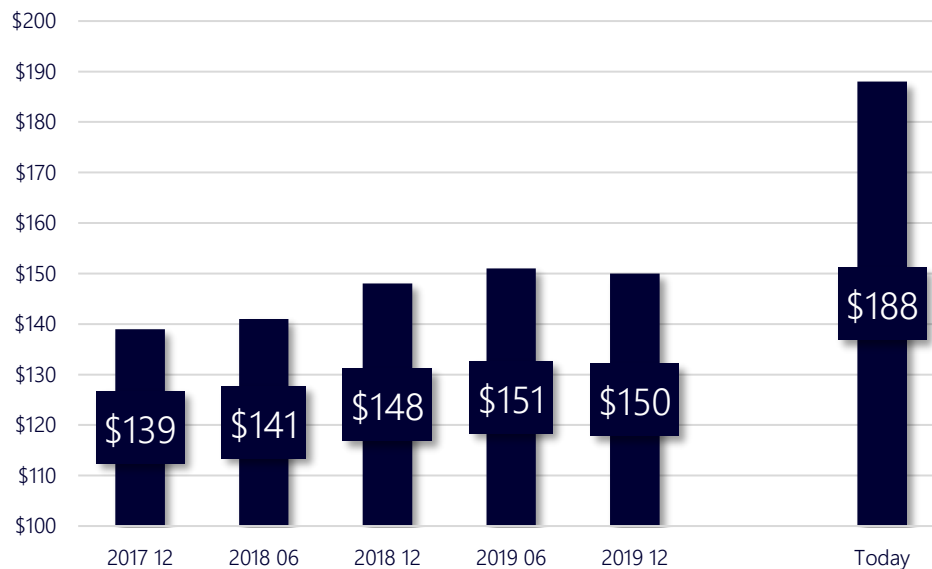
Most Fleet Types Will Fly Less This Summer than Last, Even with Higher Demand, due to Fewer Pilots and Higher Fuel Prices

Monthly Block Hours on the ERJ175 August 2021 to December 2022

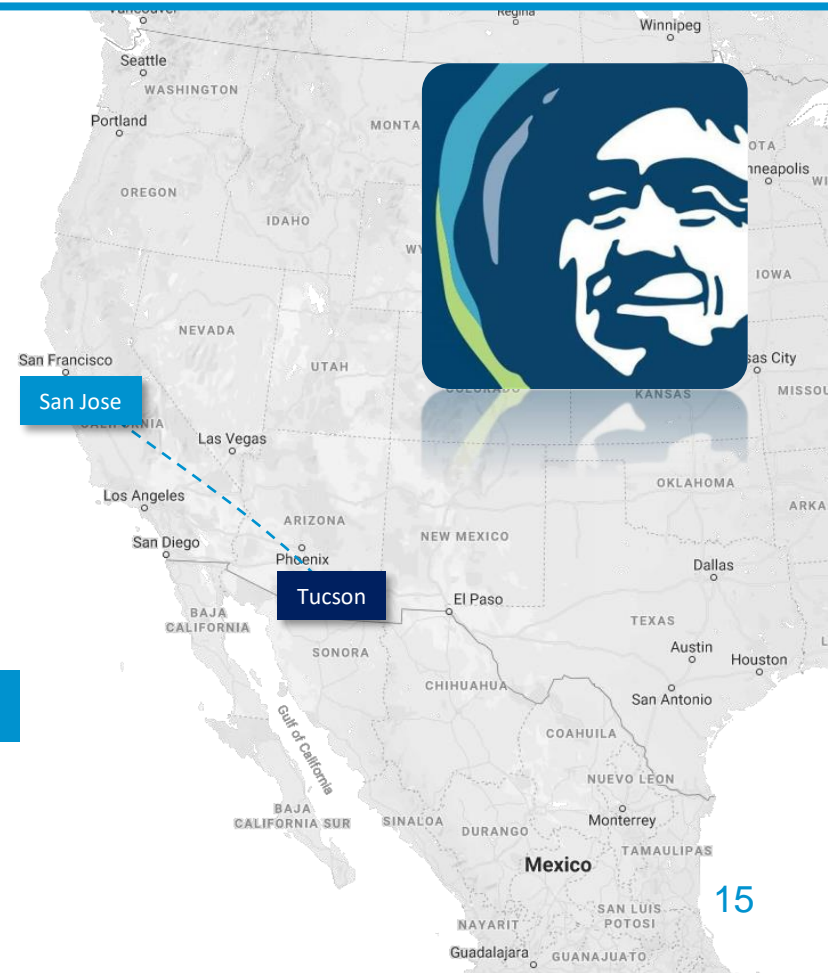


The Cost of Operating a Route Like TUS-San Jose Is 25% Higher Today than It Was Before the Pandemic, Making Breakeven Difficult

Breakeven One Way Fare, Alaska Airlines, Tucson – San Jose
As of May 2022

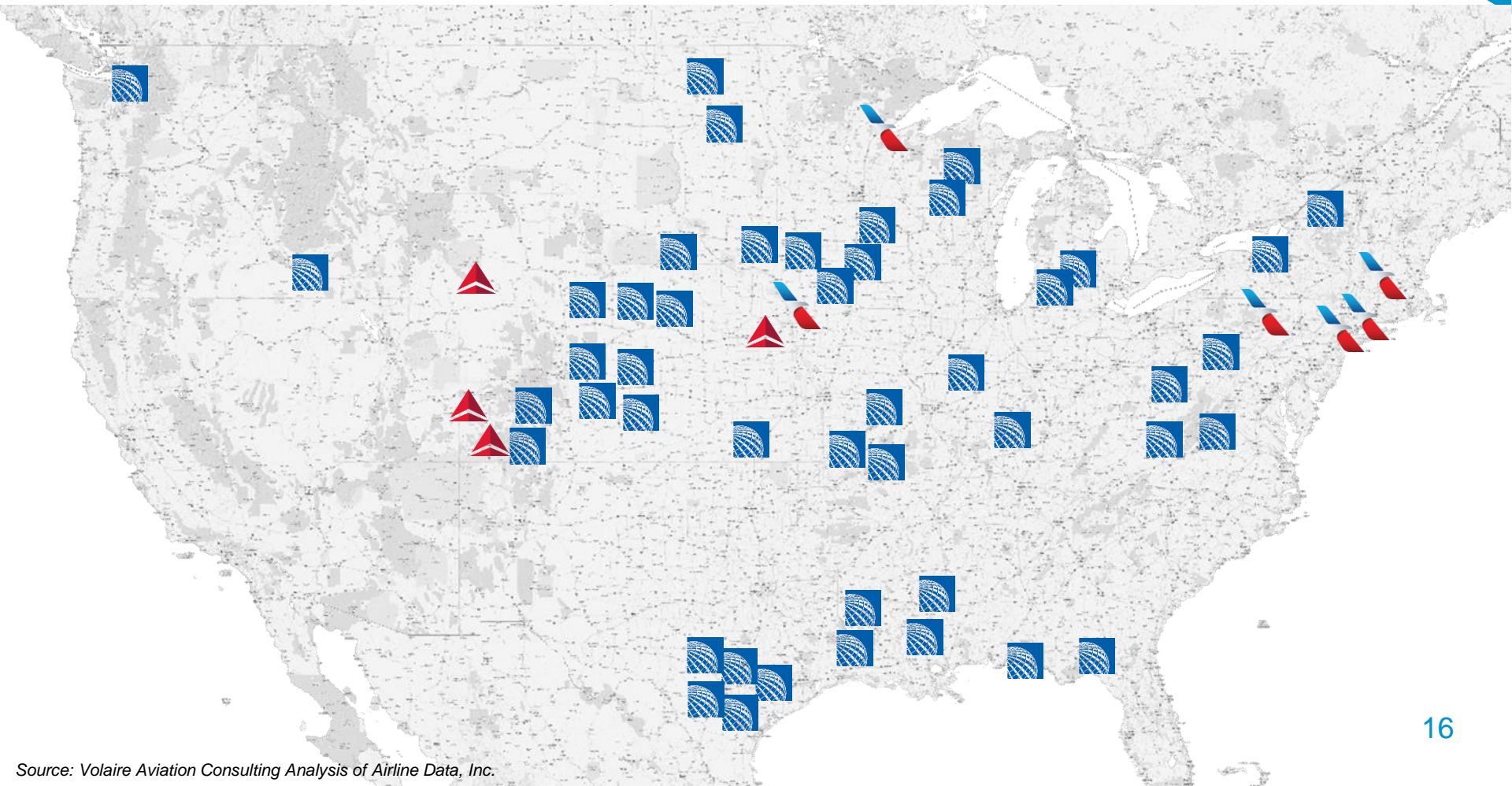


\$376 ROUNDTRIP FARE NEEDED TO BREAKEVEN



58 Airports Have Lost at Least One of the Three Largest US Airlines Since the Pandemic Began

Airports that Have Lost Service from At Least One of the Three Largest US Carriers
As of May 2022



Future Potential

Goal #1: Restore Frequency

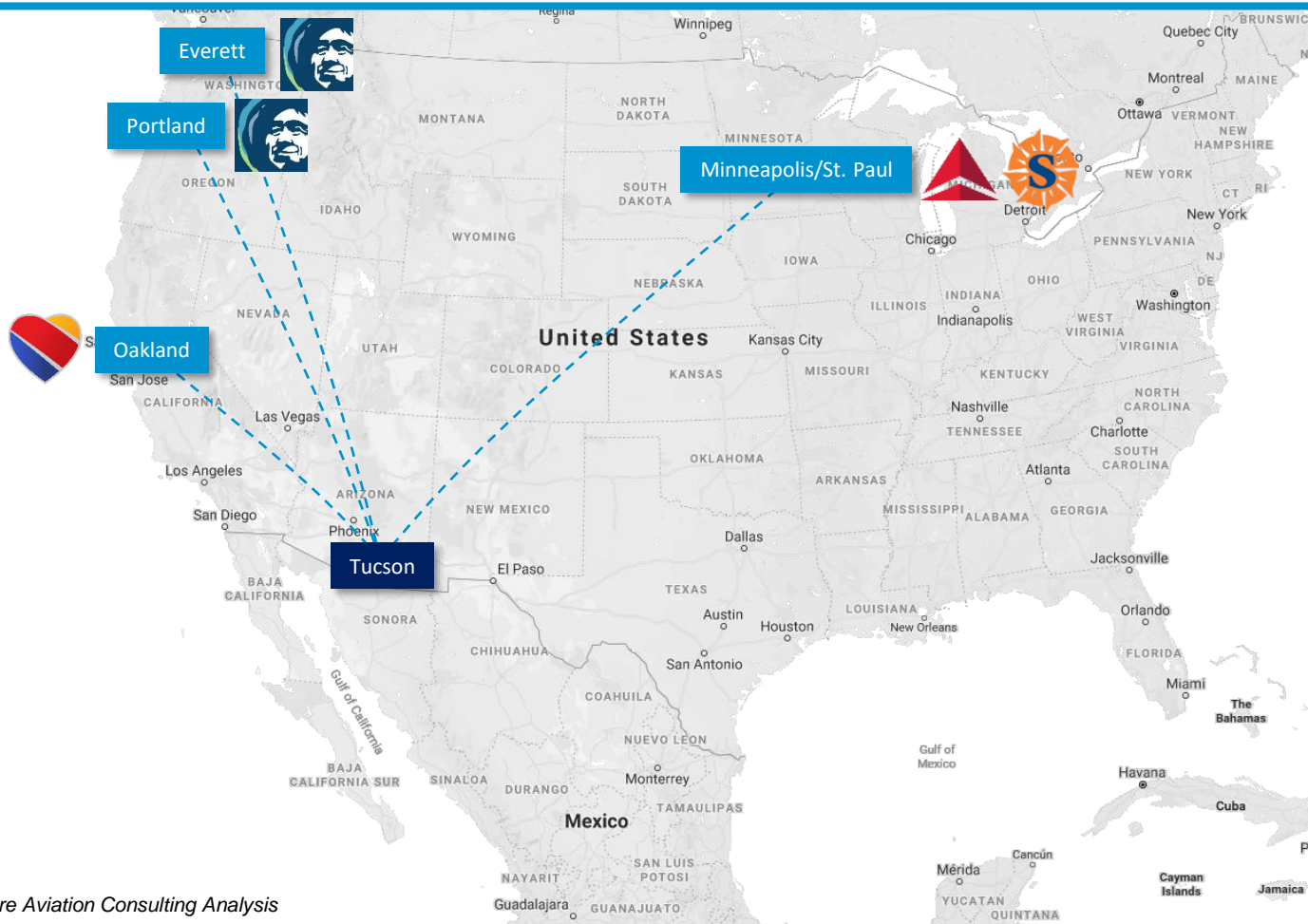
Reduction in Daily Flight Frequencies in Key Markets
As of May 2022, for Summer 2022



Goal #2: Extend Duration of Seasonal Service

Current Tucson Domestic Markets with Seasonal Service

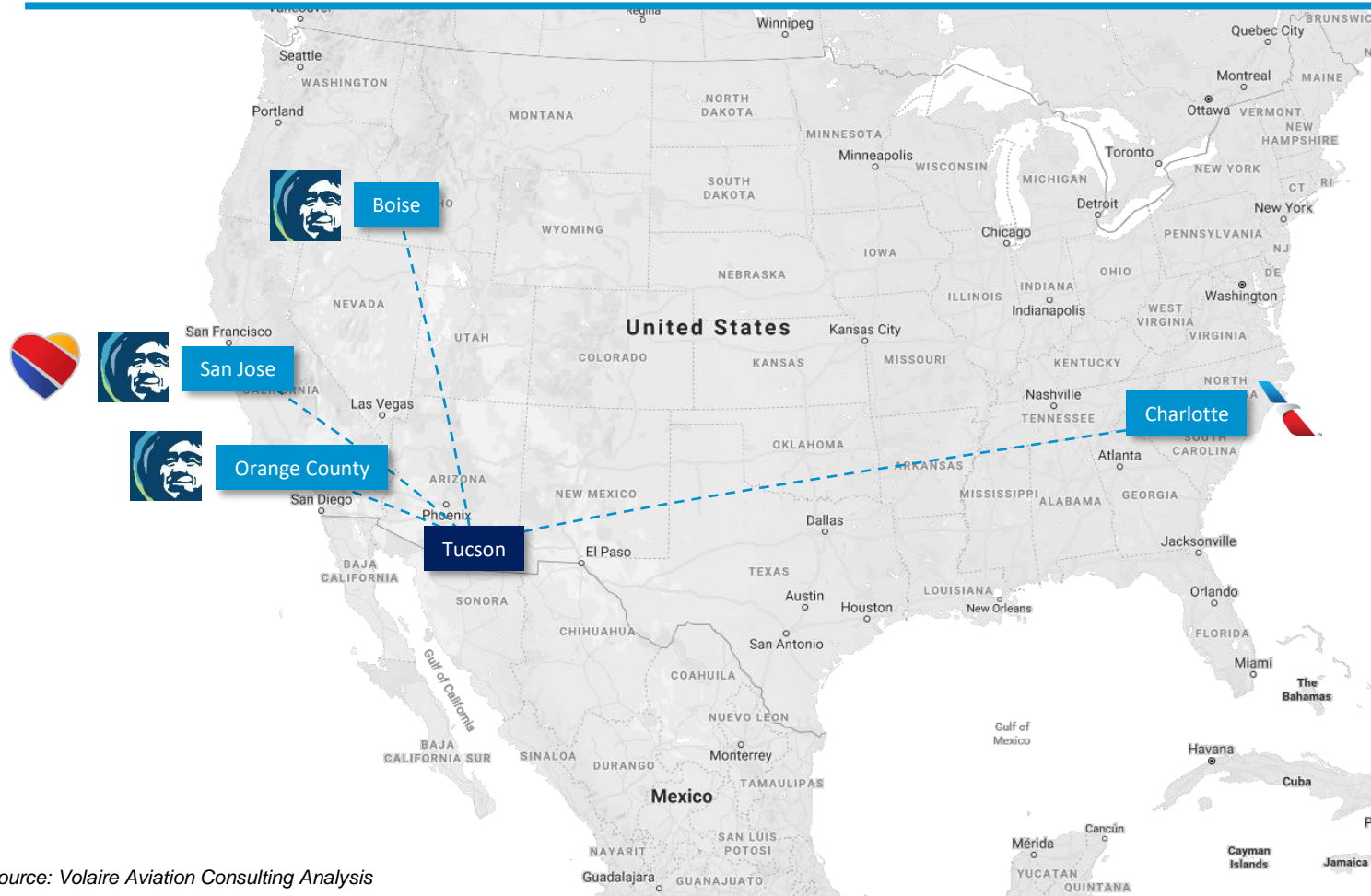
As of May 2022



Goal #3: Leverage Airline Strategy for New Domestic Routes

Potential Tucson Domestic Target Markets (Based on Airline Strategy)

As of May 2022



Goal #4: Support and Continue to Grow Canadian Markets

Potential Tucson Target Markets in Canada
As of May 2022



Goal #5: Develop Service to Mexico

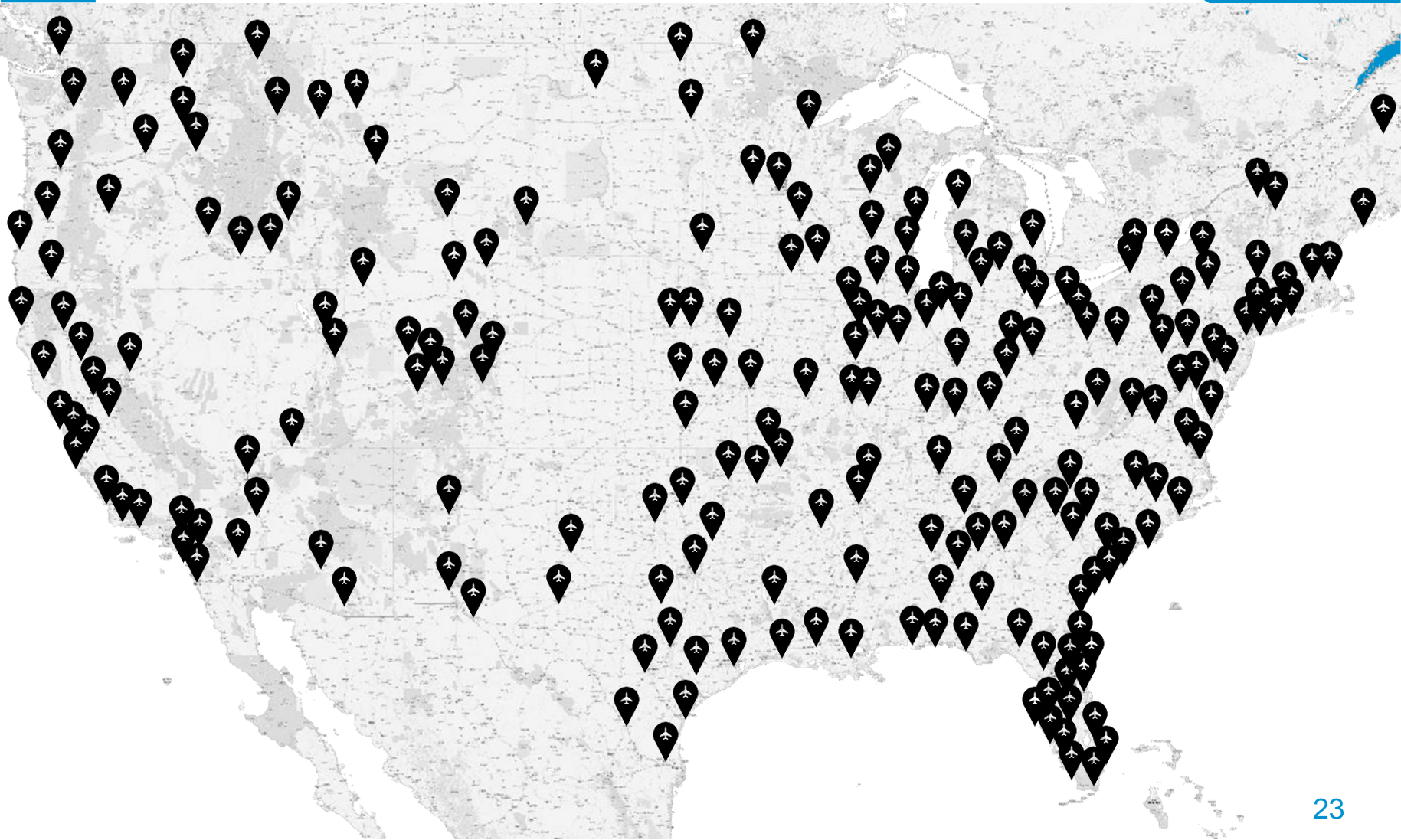
Potential Tucson Target Markets in Mexico



More than 300 Airports in the US Offer \$200K+ Incentives

US Airports Offering Incentives Greater than \$200,000 for Each New Route

As of May 2022



Contact Information

Jack Penning
Managing Partner
Volaire Aviation, Inc.
jack.penning@volaireaviation.com

**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE TUCSON AIRPORT AUTHORITY, INC.,
APPROVING THE TUCSON AIRPORT AUTHORITY'S GROUP INSURANCE COVERAGES FOR THE
POLICY YEAR BEGINNING OCTOBER 1, 2022 AND ENDING SEPTEMBER 30, 2023.**

Be it resolved by the Board of Directors of the Tucson Airport Authority, Inc., as follows:

The President/CEO or her designee(s) are authorized to enter into agreements to provide employee group insurance coverages for the proposed rates with the carriers as outlined in the memo and summary tables attached hereto as Exhibit A, incorporated by reference herein, for the policy year beginning October 1, 2022 and ending September 30, 2023.

PASSED AND ADOPTED by the Board of Directors of the Tucson Airport Authority, Inc., this ninth day of August, 2022.

Bruce Dusenberry, Chair of the Board

ATTEST:

APPROVED AS TO FORM:

Michael S. Hammond, Secretary

Christopher Schmaltz, Vice President
and General Counsel

EXHIBIT A

**EMPLOYEE GROUP INSURANCE RENEWALS –
OCTOBER 1, 2022 TO SEPTEMBER 30, 2023**

Memo to Finance and Risk Management Council dated August 9, 2022

Exhibit A – Group Medical Insurance Summary Table

Exhibit B – Group Dental Summary Table

Exhibit C – Group Vision Summary Table

Exhibit D – Short-Term Disability and Long-Term Disability Summary Table

Exhibit E – Life, AD&D Summary Table

Exhibit F – Additional Offerings

Date: August 9, 2022

To: Finance and Risk Management Council

From: Twyla Salaiz, Vice President/Chief People Officer
Kirk Eickhoff, Vice President/Chief Financial Officer

Re: Employee Group Insurance Renewals – October 1, 2022 to September 30, 2023

Background:

The Tucson Airport Authority (TAA) provides a comprehensive benefits program for its employees designed to be competitive with other local employers to attract and retain a quality workforce. To achieve this goal in a cost-effective manner, TAA contracts with an employee benefits consultant, Lovitt & Touché (L&T). Services provided by L&T are on a fixed fee basis, with no commissions included in premiums.

Medical Insurance:

TAA's overall approach to control health insurance costs was to:

- Offer a choice of health insurance plan designs at varying costs to the employee to encourage our employees to be active and informed consumers of health care products and services
- Implement wellness initiatives to assist employees with a healthy lifestyle and well-being
- Utilize our broker's expertise to explore alternative options available in the marketplace

TAA currently offers employees a choice of three medical plans. The plans include a Cigna Preferred Provider Organization (PPO) plan with a lower deductible, coinsurance and copays, and two high deductible health plans (HDHP) with a health savings account (HSA) option. Coverage summaries of these existing plans are shown in Exhibit A. Because of the higher deductible, HDHPs promote more responsible consumer behavior, which is needed to control overall claims (and therefore cost). To encourage our employees to select HDHPs, TAA contributes different amounts to the three plan's premium amounts, generally favoring HDHPs and discouraging the PPO. Aligned with this approach, TAA also contributes to the employee health savings accounts (\$600 per year for a single plan, \$1,200 per year for employee plus dependent coverage) for those participating in the HDHPs. With the above plan options, TAA's estimated portion of the premium cost (including employer HSA contributions) is approximately \$2.7M for FY 2023.

Cigna has partnered on wellness initiatives, including direct cash subsidies to TAA for wellness incentives, educational programs for employees, free employee health risk assessments and on-site employee biometric screenings. Employee participation in such activities can earn TAA up to a 3% reduction in renewal premiums.

For the 2021/2022 plan year, our loss ratio, which heavily influences the premium calculation, was 107%. This means that claims paid by Cigna were higher than the total premiums collected. Within our PPO plan, the loss ratio was 156%. Currently, half of our employees participate in the PPO plan. Our HDHPs realized a loss ratio of less than 57%. With an overall loss ratio above 100%, L&T anticipated a substantial premium increase from Cigna. The initial renewal quote for continuing the historical plan designs was 23% higher than the prior year and significantly above the national average medical insurance cost increase trend of 3.5%. TAA elected to have L&T obtain competitive quotes to attempt a lower rate. While providers came in close to Cigna, none offered a rate increase cap that we have from Cigna. Due to the contractual cap and pressure from competition, Cigna's final renewal quote on the same plan designs was limited to a 15% increase. To further control costs and influence selection behavior, TAA and Cigna modified the existing plans. The most significant change is the increase of the annual PPO deductible from \$500 to \$2,000. By doing this, the increase was limited to 9.7%.

Because the annual deductible for the PPO plan is increasing from \$500 to \$2,000, TAA elected to not increase the employee portion of premium cost. However, there will be increases in employee contributions for both HDHPs. For employees enrolled in the 1500 HDHP, contributions will increase 25% (an additional \$8 - \$24 per pay period, depending on coverage). The 3000 HDHP is currently offered at no cost to employees, however, we believe that it is important for all employees to bear some of the cost associated with medical coverage, so the FY 2023 contributions will be set at half of the cost of the 1500 plan (\$20 - \$61 per pay period).

See **Exhibit A** for proposed coverage and premium details.

Dental Insurance:

For our dental plan offerings, we recommend transitioning from CignaDental to Delta Dental. Delta offers a wider network and a less complicated claims process. We will continue to offer HMO and PPO options. In addition, Delta Dental will cost 6% less than our current provider and provide a 2-year rate guarantee.

See **Exhibit B** for proposed coverage and premium details.

Basic Life Insurance/AD&PL/Voluntary Life:

TAA currently pays 100% of the premium for employee life insurance in the amount of 1-1/2 times annual wages up to \$150,000. TAA's 2-year rate guarantee ended with the 2021/2022 plan year. However, The Hartford offered renewal with the same rates and an additional 2-year rate guarantee.

Short-Term Disability/Long-Term Disability:

TAA currently pays 100% of the premium for short-term disability (STD) and long-term disability (LTD) insurance plans with Hartford. This coverage will pay a portion of an employee's salary in the event of a non-occupational disability. TAA's 2-year rate guarantee ended with the

2021/2022 plan year and The Hartford increased our rates significantly due to high claims from public safety employees. Due to the difficulty of obtaining STD/LTD providers willing to cover Police and Fire organizations, we recommend continuing with The Hartford and have a new 2-year rate guarantee until October 1, 2024.

*See **Exhibit C** for proposed coverage and premium details.*

Vision Insurance:

TAA currently offers vision coverage to TAA employees through EyeMed. TAA pays \$2.00 per employee per month, with the employee paying the remaining premium cost. 80% of TAA's employees electing this coverage. We are in our third year of a 4-year rate guarantee, and recommend continuing coverage with EyeMed.

*See **Exhibit D** for proposed coverage and premium details.*

Employee Assistance Program:

TAA currently pays 100% of the cost of an Employee Assistance Program with Cigna for employees and their family members. Cigna quoted renewal of the same plan with no cost increase. We recommend continuing EAP coverage with Cigna.

*See **Exhibit E** for proposed coverage and premium details along with other additional products offered to TAA employees.*

Recommendation:

TAA management requests the Finance and Risk Management Council recommend to the TAA Board of Directors that the President/CEO or her designee be authorized to purchase the employee benefit coverages discussed above beginning October 1, 2022.

Exhibit A Group Medical Insurance

Carrier					Cigna Option 1a			
Benefit Feature (In Network)					HSA OAP 1500 80	Local Plus 2000	HSA OAP 3000 80	
Current Enrollment					58	88	31	
Network					Open Access	Local Plus	Open Access	
Embedded vs Non-Embedded					Embedded	Embedded	Embedded	
Deductible (Single / Family)					\$1,500 / \$3,000	\$2,000 / \$4,000	\$3,000 / \$6,000	
Coinsurance					20%	20%	20%	
OOP Maximum (Single / Family)					\$3,000 / \$6,000	\$6,000 / \$12,000	\$6,000 / \$12,000	
Office Visit Copays (PCP / Specialist)					20% after deductible	\$25 / \$50	20% after deductible	
Mental Health Copay (Outpatient)					20% after deductible	\$25 Copay	20% after deductible	
Emergency Room					20% after deductible	\$400 Copay	20% after deductible	
Urgent Care					20% after deductible	\$60 Copay	20% after deductible	
Diagnostic Lab & X-Ray					20% after deductible	0% after deductible	20% after deductible	
Advanced Imaging - MRI, CT, PET					20% after deductible	\$400 Copay	20% after deductible	
Rx Deductible					Integrated w/ Medical	None	Integrated w/ Medical	
Retail Rx					\$10 / \$35 / \$70 after deductible	\$15 / \$40 / \$60	\$10 / \$35 / \$70 after deductible	
Specialty Rx Copay					\$70 after deductible	\$80	\$70 after deductible	
Rx Mail Order Copay					2.5x Retail Copay after deductible	2.5x Retail Copay	2.5x Retail Copay after deductible	
Monthly Gross Rates					Proposed	Proposed	Proposed	
Employee	24	39	5		\$663.37	\$626.89	\$569.78	
Employee + Spouse	12	13	9		\$1,393.06	\$1,316.43	\$1,196.52	
Employee + Child(ren)	9	14	4		\$1,260.39	\$1,191.06	\$1,082.57	
Family	13	22	13		\$1,990.09	\$1,880.63	\$1,709.33	
Monthly Premium					\$69,852	\$99,611	\$40,169	
Annual Premium					\$838,227	\$1,195,332	\$482,031	
Annual Premium						\$2,515,590		
Total Change (%)						9.7%		
Total Change (\$)						\$222,289		

Exhibit B Group Dental

Carrier			Delta Dental	
Benefit Features (In Network)			DHMO	PPO \$1,500 100/60/50
Current Enrollment:			23	169
Contribution Structure:			Contributory	Contributory
Passive vs Incentive:			N/A	Incentive
Office Visit Copay:			See Schedule	None
Deductible (Single / Family):			See Schedule	\$50 / \$150
Plan Maximum:			See Schedule	\$1,500
Diagnostic & Preventive Care:			See Schedule	0% no deductible
Basic Care:			See Schedule	0% after deductible
Major Care:			See Schedule	40% after deductible
Endodontics:			See Schedule	Basic
Periodontics:			See Schedule	Basic
Implants:			See Schedule	Major
DHMO Specialists:			See Schedule	N/A
Orthodontics:			See Schedule	50% up to \$1,000 (Child up to 19 years)
OON Reimbursement:			None	MAC
Rate Guarantee:			24 Months (10/01/2022-9/30/2024)	24 Months (10/01/2022-9/30/2024)
Monthly Gross Rates			Proposed	Proposed
Employee	11	59	\$14.52	\$33.20
Employee + Spouse	3	38	\$28.12	\$66.40
Employee + Child(ren)	2	21	\$28.70	\$79.05
Family	7	51	\$42.95	\$110.41
Monthly Premium:			\$602	\$11,773
Annual Premium:			\$7,226	\$141,276
			Qualify for a one-time implementation credit of \$50 per subscriber based on group size	
Annual Premium:				\$148,501
Total Change (%)				-6%
Total Change (\$)				-\$8,905

Exhibit C
Group Vision

Carrier & Policy #		Current/Renewal - EyeMed (Policy #: 9854951)
Benefit Features (In Network)		\$120 12/12/12
Current Enrollment		173
Contribution Structure		Contributory
Eye Exam Copay		\$0
Standard Lenses Copay		\$10
Frames Allowance		\$120 Allowance, then 20% discount
Contact Lenses Allowance		\$120 Allowance, then 15% discount
Frequency (Exams/Lenses or Contacts/Frames)		12 / 12 / 12
Rate Guarantee		4 years (10/01/2020 - 09/30/2024)
Monthly Gross Rates		Rate Guarantee
Employee	65	\$6.91
Employee + Spouse	35	\$13.13
Employee + Child(ren)	25	\$13.83
Family	48	\$20.32
Monthly Premium		\$2,230
Annual Premium		\$26,758

Exhibit D
Disability, STD and LTD

STD

Carrier & Policy #		Current / Renewal - Hartford (Policy #: 839640)	
Benefit Feature			
Eligibility		Class 1 - All Active Full-Time Employees working at least 30 hours per week excluding Fire and Police Class 2 - All Active Full-Time Fire and Police Employees working at least 30 hours per week	
% of Income Replacement		66.67% of Weekly Earnings	
Weekly Benefit Maximum		\$3,000	
Elimination Period		29 Days / 29 days	
Benefit Duration		Class 1 - 22 Weeks / Class 2 - 9 weeks	
Definition of Disability		Unable to perform own occupation and have a 20% or more earnings loss	
Pre-Existing Conditions		None	
W-2, FICA Match		Not Included	
EAP		Included with Life	
Rate Guarantee		2 years (10/01/2022 - 10/1/2024)	
Rates per \$10		Current	Renewal
C1 per \$10	\$146,803	\$0.180	\$0.282
C2 per \$10	\$33,158	\$0.120	\$0.188
Annual Premium		\$36,484	\$57,159
Total Change (%)		-	57%
Total Change (\$)		-	\$20,674

LTD

Carrier & Policy #		Current / Renewal - Hartford (Policy #: 839640)	
Benefit Feature			
Eligibility		All Active Full-Time Fire and Police Employees working at least 30 hours	
% of Income Replacement		66.67%	
Monthly Benefit Maximum		\$6,600	
Elimination Period		90 Days	
Benefit Duration		SSNRA	
Definition of Disability		Inability to perform own occupation and have a 20% or more earnings loss (80% earnings test) for the first 24 months. Thereafter the inability to perform any occupation and have a 40% or more earnings loss (60% earnings test).	
Own Occ		24 Months	
Exclusions / Limitations		24 Months MNDA / None for Self Reported	
Pre-Existing Conditions		3/12	
W-2, FICA Match		Included	
EAP		Included	
Rate Guarantee		2 years (10/01/2022 - 10/1/2024)	
Rates per \$100		Current	Renewal
Volume	\$215,528	\$0.610	\$0.715
Annual Premium		\$15,777	\$18,492
Total Change (%)		-	17%
Total Change (\$)		-	\$2,716

Exhibit E Life, AD&D Plans

Basic Life and AD&D

Carrier & Policy #		Current / Renewal - Hartford (Policy #: 839640)	
Benefit Feature			
Eligibility		All Active Full-Time Employees working at least 30 hours	
Employee Benefit		1.5X Basic Earnings to Maximum of \$150K	
Spouse Benefit		\$1,000	
Child(ren) Benefit		\$1,000 (ages 14 days - 26)	
Accelerated Death Benefit		80% of Life Amount	
Reduction Schedule		65% at age 65; 50% at age 70	
Portability		Included	
Travel Assistance		Included	
EAP		Included	
Rate Guarantee		2 years (10/01/2022 - 10/1/2024)	
Rates per \$1,000		Rate Pass	
Life	\$19,349,000	\$0.130	
AD&D		\$0.020	
Dependent Life	\$223,000	\$0.220	
Annual Premium		\$35,417	

Voluntary Life and AD&D

Carrier & Policy #		Current / Renewal - Hartford (Policy #: 839640)	
Benefit Feature			
Eligibility		All Active Full-Time Employees working at least 30	
Employee Benefit		\$10,000 Increments up to \$300,000	
Spouse Benefit		\$10,000 Increments up to \$150,000	
Child(ren) Benefit		\$10,000 age 14 days to 26 years	
Reduction Schedule		65% at age 65; 50% at age 70	
Guarantee Issue		Employee: \$150,000; Spouse: \$30,000; Child(ren): \$10,000	
Portability		Included	
Travel Assistance		Included	
EAP		Included	
Evidence of Insurability		Any purchase / increase after 31 days is subject to Evidence of Insurability	
Participation Requirement		20%	
Rate Guarantee		2 years (10/01/2022 - 10/1/2024)	
Rates per \$1,000		Rate Pass	
Ages <20		\$0.052	
Ages 20-24		\$0.052	
Ages 25-29		\$0.052	
Ages 30-34		\$0.061	
Ages 35-39		\$0.088	
Ages 40-44		\$0.160	
Ages 45-49		\$0.268	
Ages 50-54		\$0.412	
Ages 55-59		\$0.637	
Ages 60-64		\$1.092	
Ages 65-69		\$2.032	
Ages 70-74		\$2.968	
Ages 75+		\$4.939	
Employee AD&D		\$0.020	
Spouse AD&D		\$0.020	
Child(ren) Life		\$0.085	
Child(ren) AD&D		\$0.030	

Exhibit F Additional Offerings

Additional Product Offerings	Carrier / Vendor & Policy #	Lives	Current		Renewal		Change		Rate Guarantee
			PEPM	Annual Premium	PEPM	Annual Premium	Total Change (%)	Total Change (\$)	
Worksite (Accident, Hospital, Cancer, & Specified Event)	AFLAC (Policy #: DVU64) - Tiered Rates	26	N/A	\$18,062	N/A	\$18,062	0%	\$0	10/01/2021-09/30/2023
COBRA	BASIC (Policy #: 129609) Term BASIC and implement WEX	181	\$0.75	\$1,629	\$0.68	\$1,477	-9%	-\$152	10/01/2021-09/30/2027
FSA	BASIC (Policy #: 129609) Term BASIC and implement WEX	39	\$4.00	\$1,872	\$4.05	\$1,895	1%	\$23	10/01/2021-09/30/2027
HSA	HSA Bank	89	\$1.75	\$1,869	\$1.75	\$1,869	0%	\$0	10/01/2021-09/30/2023
EAP	Cigna/Evernorth (Policy #: 3699)	213	\$1.94	\$4,959	\$1.94	\$4,959	0%	\$0	10/01/2021-09/30/2023
ID Theft	InfoArmor/Allstate Family - \$17.95 Individual \$9.95	22	N/A	\$3,971	N/A	\$3,971	0%	\$0	10/01/2021-09/30/2023

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE TUCSON AIRPORT AUTHORITY, INC., APPROVING THE TUCSON AIRPORT AUTHORITY'S WORKERS' COMPENSATION INSURANCE COVERAGE FOR THE POLICY YEAR BEGINNING SEPTEMBER 1, 2022 AND ENDING AUGUST 31, 2023.

Be it resolved by the Board of Directors of the Tucson Airport Authority, Inc., as follows:

The President/CEO or her designee(s) are authorized to execute an agreement with AmTrust North America to purchase workers' compensation insurance for the terms summarized in the memo attached hereto as Exhibit A, incorporated by reference herein, for the policy year beginning September 1, 2022 and ending August 31, 2023.

PASSED AND ADOPTED by the Board of Directors of the Tucson Airport Authority, Inc., this ninth day of August, 2022.

Bruce Dusenberry, Chair of the Board

ATTEST:

APPROVED AS TO FORM:

Michael S. Hammond, Secretary

Christopher Schmaltz, Vice President
and General Counsel

EXHIBIT A

**WORKERS' COMPENSATION INSURANCE –
SEPTEMBER 1, 2022 TO AUGUST 31, 2023**

Memo to Finance and Risk Management Council dated August 9, 2022

Date: August 9, 2022

To: Finance and Risk Management Council

From: Twyla Salaiz, Vice President/Chief People Officer
Kirk Eickhoff, Vice President/Chief Financial Officer

Re: Workers' Compensation Renewal – September 1, 2022 to August 31, 2023

Background:

Crest Insurance Group is TAA's broker for workers' compensation insurance. AmTrust North America (AmTrust) is the incumbent carrier and has provided TAA's workers' compensation coverage since September 1, 2020.

Primarily due to TAA's diverse workforce, which includes public safety personnel (police and fire), very few insurers have historically been willing to quote workers' compensation coverage for TAA. Two years ago, TAA's longtime incumbent carrier, CopperPoint, announced it was cancelling all Arizona workers' compensation policies for employers with firefighters in their workforce. This was due to a law enacted in Arizona that requires workers' compensation policies to cover all cancer claims filed by firefighters regardless of cause. At the time, TAA was fortunate to contract with AmTrust who provided coverage at a premium lower than CopperPoint's expiring rates.

Workers' compensation insurance is subject to specific statutory requirements and standard premium rates for defined job classifications. Additional rate modifications and discounts may be applied by insurers to these standardized rates based on favorable claims experience and specific actions and programs by employers that create safer environments and reduce exposure to workplace accidents and injuries.

Based on our good relationship with AmTrust over the last two years, we chose not to seek quotes from alternative providers. The 2022/2023 quote from AmTrust yielded an estimated premium of \$156,420 which is an increase of \$3,571 or 2.3% from the current year's estimated premium of \$152,849.

AmTrust specializes in small business workers' compensation insurance and is rated "A-" by insurance rating agency A.M. Best. Generally, Crest's clients have reported positive experiences with AmTrust's handling of claims. TAA has had no reportable issues with claims handling while under contract with AmTrust.

Recommendation:

Based on an evaluation of available options, historical context, and the recommendation of Crest Insurance Group, TAA management requests that the Finance and Risk Management Council recommend to the TAA Board of Directors that the President/CEO or her designee be authorized to purchase its Workers' Compensation policy with AmTrust as described above, effective September 1, 2022.

**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE TUCSON AIRPORT AUTHORITY, INC.,
APPROVING THE TUCSON AIRPORT AUTHORITY'S COMMERCIAL LINES OF INSURANCE FOR THE
POLICY YEAR BEGINNING AUGUST 15, 2022 AND ENDING AUGUST 14, 2023.**

Be it resolved by the Board of Directors of the Tucson Airport Authority, Inc., as follows:

The President/CEO or her designee(s) are authorized to execute agreements for commercial lines of insurance with the carriers for the terms and rates summarized in the memo attached hereto as Exhibit A, incorporated by reference herein, for the policy year beginning August 15, 2022 and ending August 14, 2023, for the following:

- Property;
- Airport Liability;
- Commercial Auto;
- Inland Marine;
- Management Liability (Directors and Officers);
- Crime and Special Risk;
- Cyber Liability;
- Law Enforcement Liability; and
- Deadly Weapon Response

PASSED AND ADOPTED by the Board of Directors of the Tucson Airport Authority, Inc., this ninth day of August, 2022.

Bruce Dusenberry, Chair of the Board

ATTEST:

APPROVED AS TO FORM:

Michael S. Hammond, Secretary

Christopher Schmaltz, Vice President
and General Counsel

EXHIBIT A

**COMMERCIAL LINES OF INSURANCE –
AUGUST 15, 2022 TO AUGUST 14, 2023**

Memo to Finance and Risk Management Council dated August 9, 2022
Appendix A – 2022-23 Insurance Renewal Summary

Date: August 9, 2022

To: Finance and Risk Management Council

From: Kirk Eickhoff, Vice President/Chief Financial Officer

Re: Commercial Lines Insurance Renewals – August 15, 2022 to August 14, 2023

Background:

Alliant Insurance Services, Inc. (Alliant) is the commercial insurance broker assisting TAA with consultation and broker services related to the following commercial lines insurance coverages, with incumbent carriers noted:

Coverage	Incumbent Carrier
Property	Travelers
Airport Liability	Preferred Aviators – AIG
Commercial Auto	Preferred Aviators – AIG
Inland Marine	Preferred Aviators – AIG
Management Liability (Directors & Officers)	RSUI
Crime and Special Risk	Chubb
Cyber Security	Obsidian (Cowbell)
Law Enforcement Liability	QBE
Deadly Weapon Response Program	Lloyd's of London

Services provided by Alliant relating to the procurement of these coverages are on a fixed fee basis, with no commissions included in premiums. **Appendix A**, provided by Alliant, is a summary of current and proposed renewal premiums for the above coverages, this attachment also includes Alliant's assessment of the current state of the insurance market, descriptions of their marketing efforts for each line, and a summary of the available options.

The recommended renewal quotes reflect a total increase of 17.1% compared to the expiring premiums.

Summary of Specific Coverage Recommendations:

Property – Travelers quoted a renewal premium of \$240,000, an increase of 19.4% (\$39,022). This quote contemplates a 10% change in total insured values due to the high inflation costs. To control costs, TAA considered increasing the deductible from \$50,000 (expiring) to \$100,000. However, the premium savings would only be \$10,500. This small savings does not appear to be a fair trade-off of additional \$50,000 in out-of-pocket expense to TAA in the event of a claim. TAA management recommends renewing this coverage with Travelers at an annual premium of \$240,000 and the \$50,000 deductible.

Airport Liability – AIG quoted a renewal premium of \$115,255, an increase of 28.1% (\$25,285). The premium rise is largely attributable to the exposure increase, attributable to the expected increase in passenger enplanements. TAA management recommends renewal of its airport liability policy with AIG.

Commercial Auto – Preferred Aviators proposed a renewal premium of \$147,347, an increase of 12.22% (\$16,049) from the expiring premium. TAA management recommends renewal of its Commercial Auto policy with Preferred Aviators.

Inland Marine – Preferred Aviators proposed a premium of \$12,876, an increase of 13% (\$1,511). TAA management recommends renewing this coverage with Preferred Aviators.

Management Liability (Directors and Officers) – RSUI Indemnity Co. proposed a renewal of \$59,910, an increase of 10% (\$5,480). With significantly escalated claims activity in this risk market (discrimination, harassment, etc.), this increase is viewed favorably relative to overall rate increases. TAA management recommends renewal of this policy with RSUI.

Crime and Special Risk – Chubb Group proposed a renewal premium of \$13,219 (same as expiring). TAA management recommends renewal of this policy with Chubb Group.

Cyber Liability – Cowbell proposed a renewal premium of \$15,176, an increase of 14% (\$1,903). The cyber insurance market continues to experience significant increases with some insureds, especially in the public entity sector, seeing 80%+ premium increases. The TAA IT team has been proactive in strengthening cyber security, and those efforts are documented and shared with the carrier, helping to increase TAA's cyber security and therefore reducing risk, when helps to control costs for this coverage. TAA recommends renewing this coverage with Cowbell.

Law Enforcement Liability – QBE quoted a renewal premium of \$25,063 which is 14.0% (\$3,098) higher than the expiring coverage. TAA management recommends renewing this coverage with QBE.

Deadly Weapon Response Program – The TAA Board chose to add participation in this program in 2021. This product provides third party bodily injury liability, first party property damage, business interruption and crisis management consulting for deadly weapon events occurring at a scheduled location. These coverages may not otherwise be included in TAA's airport liability or property coverages. According to Alliant, this program can provide meaningful financial protection and services for minimal cost. TAA Management recommends binding coverage with Lloyd's of London for an annual fee of \$5,875 which reflects a 6% (\$347) increase.

See **Appendix A** (attached) provided by Alliant for descriptions of each coverage, marketing strategy, key considerations, costs, and recommendations.

Recommendation:

TAA management requests the Finance and Risk Management Council recommend to the TAA Board of Directors that the President/CEO or her designee be authorized to purchase the commercial lines insurance policies as outlined above and summarized on Exhibit A, effective August 15, 2022.

Appendix A

TUCSON AIRPORT AUTHORITY 8/15/22 to 8/15/23 Insurance Renewal

STATE OF THE INSURANCE MARKET

In recent years, the commercial property insurance market has continually hardened, resulting in a range of coverage and underwriting challenges, and continued upward pressure on pricing. Several factors have contributed to the current state of the property market. Namely, a rise in the frequency and severity of natural disasters has subsequently caused a surge in commercial property claims and related costs. Extreme weather events (e.g., hurricanes, tornadoes, winter storms and wildfires) have become increasingly catastrophic over the years, leaving behind significant damages the last five years (between 2017 and 2021).

The scrutiny on total insurable values is also rising. The increases in labor and material costs directly affect the property market. The pressure to capture accurate values remains high, there is an increased focus on underwriting. Such challenges highlight how critical it is for underwriters to adapt to current market trends and update their evaluation strategies in this evolving risk landscape.

The liability insurance market has sustained systemic losses due to several factors including: social inflation; runaway litigation settlements and jury verdicts; and political uncertainty. These challenges continue to cause carriers to be risk adverse, offering up restricted capacity at increased pricing. The cyber market in general, and especially so for public entities, is still an extremely unstable coverage line with many insurers exiting the market due to catastrophic ransomware attacks. Ransomware is one of the most pressing issues for cyber insurers today. The continuous and ongoing hardening of the Cyber market is addressed with a hardening view on pricing, capacity and terms.

Below provides an executive summary of Tucson Airport Authority's (TAA) 2022-2023 insurance renewals. Accompanying this document is the year over year renewal cost exhibit.

1. PROPERTY ALL RISK INCLUDING BOILER & MACHINERY

This coverage pays for direct physical loss or damage to buildings, contents and equipment from covered perils such as fire, flood, hail, windstorm, earth movement and terrorism.

Marketing Efforts:

- Alliant marketed the account to all airport property insurance carriers for the 2021-2022 renewal. Property coverage was bound with Travelers for the 2021-2022 term (moved from Affiliated FM).

TUCSON AIRPORT AUTHORITY 8/15/22 to 8/15/23 Insurance Renewal

- As discussed with TAA staff during our renewal strategy meeting, it was agreed Alliant would focus on seeking favorable renewal pricing, terms and conditions from Travelers.
- Travelers quoted a renewal premium of \$240,000, an increase of 19% (\$39,022). This quote contemplates the 10% change in total insured values due to the high inflation costs, the 10% trending of values is in line with market.
- Travelers provided an option to increase the deductible from \$50,000 (expiring) to \$100,000; the premium savings would be \$10,500. This does not appear to be a fair trade-off of additional \$50,000 in potential out-of-pocket expense to TAA in the event of a claim.

Program Highlights	Travelers 2021-2022 Expiring	Travelers 2022-2023 Renewal
Policy Limit	\$261,880,866	\$286,853,664
All-Risk Deductible	\$50,000	\$50,000
Total Insured Values	\$261,880,866	\$261,880,866
TIV Increase	16%	16%
Business Income	\$7,350,000	\$7,350,000
Extra Expense	\$5,000,000	\$5,000,000
Earthquake	\$25,000,000 Aggregate	\$25,000,000 Aggregate
Flood All-Other	\$25,000,000 Aggregate	\$25,000,000 Aggregate
Flood Zone A&V	\$5,000,000 Aggregate	\$5,000,000 Aggregate
Boiler & Machinery	\$100,000,000	\$100,000,000
All-Risk Deductible	\$50,000	\$50,000
Wind/Hail Deductible	\$50,000	\$50,000
Earthquake Deductible	\$100,000	\$100,000
Flood All-Other Deductible	\$100,000	\$100,000
Flood Zone A&V Deductible	\$500,000	\$500,000
Annual Premium incl. SLT&F if applicable	\$200,978	\$240,000
Total Rate / \$100 TIV	\$0.0767	\$0.0836
Rate Change vs. Expiring	-	9.00%

Alliant recommendation: recommends renewing the property renewal coverage with Travelers at an annual premium of \$240,000 with the expiring \$50,000 deductible.

Appendix A

TUCSON AIRPORT AUTHORITY 8/15/22 to 8/15/23 Insurance Renewal

2. AIRPORT LIABILITY

The Airport Liability market is trending towards a hardening cycle. Contributing factors include: social inflation, reduced capacity in the marketplace and the limited availability of qualified airport liability insurance carriers.

Marketing Efforts:

- Alliant conducted a thorough marketing effort when we became TAA's broker in 2021. The airport liability coverage was bound with AIG for the 2021-2022 term (moved from Global Aerospace). AIG is the preeminent airport insurer and in renewal strategy discussions, TAA agreed with the approach to continue developing the relationship with AIG. Despite the increase in passengers (exposure) and overall market conditions, AIG was able to hold the premium increase to just 9% for the 2022-2023 renewal, which is very much in line with what we are seeing in the airport liability insurance market for renewals.

Program Highlights	AIG 2021-2022 Expiring	AIG 2022-2023 Renewal
Each Occurrence Limit	200,000,000	200,000,000
Products& Completed Ops.	200,000,000	200,000,000
Hangar Keepers Liability	200,000,000	200,000,000
Premises Rented	1,000,000	1,000,000
Med Pay	50,000	50,000
Personal Injury	25,000,000	25,000,000
Deductible	Nil	Nil
Excess Auto Liability	25,000,000	25,000,000
Excess Employers Liability	25,000,000	25,000,000
Excess Police Professional Liability	25,000,000	25,000,000
Total Cost	\$89,970	97,945

Alliant Recommendation: Alliant recommends renewing the airport liability with AIG. AIG is reputable insurance carrier in the aviation insurance marketplace and has the specialization to partner with TAA.

Appendix A
TUCSON AIRPORT AUTHORITY 8/15/22 to 8/15/23 Insurance Renewal

3. COMMERCIAL AUTO

Mono-line commercial auto liability is a difficult market and trending towards a significant hardening cycle. Many factors play into the hardening of this market including significant losses, carriers exiting the market as a whole, and the prevalence of distracted driving.

Marketing efforts:

- Alliant approached key markets that are currently writing mono-line auto liability for the 2021-2022 renewal. The commercial auto liability coverage was bound with Preferred Aviators for the 2021-2022 term (moved from Philadelphia).
- Preferred Aviators 2022-2023 quoted premium is still less than the next best competing quote in 2021-2022 at \$178,571.
- The one caveat with Preferred Aviators is they require at least one other coverage to be bound with them or with AIG. TAA has achieved this by purchasing the inland marine and airport liability coverage lines from AIG.

	Preferred Aviators 2021-2022 Expiring	Preferred Aviators 2022-2023 Renewal
Covered Autos Liability:	\$1,000,000 each accident	\$1,000,000 each accident
Auto Medical Payments:	\$5,000 each insured	\$5,000 each insured
Uninsured Motorists – UM:	\$1,000,000 each accident	\$1,000,000 each accident
Underinsured Motorist – UIM:	\$1,000,000 each accident	\$1,000,000 each accident
Physical Damage; Comprehensive Coverage:	Actual Cash Value or Cost of Repair	Actual Cash Value or Cost of Repair
Physical Damage: Collision Coverage:	Actual Cash Value or Cost of Repair	Actual Cash Value or Cost of Repair
Physical Damage: towing & Labor:	\$100 each disablement of a private passenger auto	\$100 each disablement of a private passenger auto
Total Cost:	\$131,298	\$147,347

Alliant Recommendation: Alliant recommends binding the auto liability with Preferred Aviators due to the significant reduction in cost received in 2021-2022 and them being a stable carrier for the aviation industry.

Appendix A
TUCSON AIRPORT AUTHORITY 8/15/22 to 8/15/23 Insurance Renewal

4. INLAND MARINE

This policy covers TAA high value vehicles, scheduled equipment, fire trucks, sweepers, and small tools. This market has been relatively flat and we have seen carriers be competitive.

Marketing efforts:

- Alliant approached all key markets that are currently writing inland marine for the 2021-2022 renewal. The inland marine coverage was bound with Preferred Aviators for the 2021-2022 term (moved from Travelers).
- Preferred Aviators renewal quote represents a 13% year-over-year premium increase but includes the 3% exposure increase as well.
- Preferred Aviators 2022-2023 premium is still less than the next best competing quote in 2021-2022 at \$14,705.

	Preferred Aviators 2021-2022 Expiring	Preferred Aviators 2022-2023 Renewal
Contractors Equipment – Leased or rented from others	\$500,000	\$500,000
Contractors Equipment – Scheduled Equipment	\$5,947,561	\$6,137,061
TRIA	Included	Included
Total Cost:	\$11,365	\$12,876

Alliant Recommendation: Alliant recommends binding the inland marine with Preferred Aviators due to the reduction in cost received in 2021-2022 and them being a stable carrier for the aviation industry. Binding the inland marine line of coverage with Preferred Aviators, will also satisfy the requirement for binding multiple lines of coverage with Preferred Aviators.

Appendix A

TUCSON AIRPORT AUTHORITY 8/15/22 to 8/15/23 Insurance Renewal

5. MANAGEMENT LIABILITY (DIRECTORS & OFFICERS)

Management liability insurance is a customized package of coverages designed to protect directors, officers, board members, managers, and administrators, as well as the entity (TAA), from lawsuits alleging mismanagement, harassment, discrimination, wrongful termination, improper conduct and other risks faced while managing the organization.

Marketing efforts:

- Alliant approached key markets that are currently writing management liability for the 2021-2022 renewal. The coverage was renewed with incumbent carrier, RSUI, for the 2021-2022 term as they were most competitive on cost and coverage.
- As discussed with TAA staff during our renewal strategy meeting, it was agreed Alliant would focus on seeking favorable renewal pricing, terms and conditions from Travelers.
- The 10% premium increase is a very good renewal result in this market for D&O coverage. This coverage includes claims for employment practices (discrimination, harassment, etc.) which is seeing large uptick in claim values nationwide, and market premium increases between 10%-30% and higher depending on claim activity.

	RSUI 2021-2022 Expiring	RSUI 2022-2023 Renewal
D&O including Employment Practices Liability	\$5,000,000	\$5,000,000
Anti-Trust Sub-limit	\$5,000,000	\$5,000,000
Additional Defense Limit	\$1,000,000	\$1,000,000
Fiduciary Liability	\$1,000,000	\$1,000,000
Aggregate Limit for all Coverages	\$6,000,000	\$6,000,000
Retention	\$50,000	\$50,000
Total Cost	\$54,430	\$59,910

Alliant Recommendation: Alliant recommends binding the management liability with incumbent RSUI due to availability of continuing the \$5 million limits rather than seeking offers for lower policy limit or building capacity with multiple carriers at similar premium.

Appendix A
TUCSON AIRPORT AUTHORITY 8/15/22 to 8/15/23 Insurance Renewal

6. CRIME AND SPECIAL RISK

This policy covers loss from criminal acts such as employee theft, dishonesty, embezzlement. The Special Risk coverage provides protection against a variety of security risks including threats and extortions against people, property and proprietary information. Coverage includes specialized risk management services for resolution of kidnap, hostage and extortive crime. This market has been relatively flat and we have seen carriers be competitive.

Marketing efforts:

- Alliant marketed to all key markets writing crime for the 2021-2022 renewal. The crime coverage was renewed with incumbent, Chubb, for the 2021-2022 term.
- We received a renewal quote from the incumbent Chubb at flat premium (same as expiring).

	Chubb 2021-2022 Expiring	Chubb 2022-2023 Renewal
Crime Limits	\$5,000,000	\$5,000,000
Special Risk/Kidnap & Ransom Limits	\$250k to \$1,000,000	\$250k to \$1,000,000
Deductible	\$20,000	\$20,000
Total Cost:	\$13,219	\$13,219

Alliant Recommendation: Alliant recommends renewing the Crime and Special Risk with Chubb.

TUCSON AIRPORT AUTHORITY 8/15/22 to 8/15/23 Insurance Renewal

7. CYBER SECURITY

This coverage is designed to protect TAA from loss due to data breach by hackers, business email compromise, ransomware and data breach caused by employee negligence. The marketplace for this coverage is experiencing tumultuous change due to catastrophic losses, historically underpriced coverage that was unsustainable, and insurers exiting the business altogether. Public entities are perceived as a less than desirable risk due to their lower investment in cyber security controls and training as compared to private sector organizations.

Marketing efforts:

- Alliant conducted extensive marketing last year when incumbent Beazley quoted over \$100,000 and Cowbell offered the only alternative
- Incumbent Cowbell offered an extremely favorable quote with the same terms and conditions as expiring.

	Obsidian (Cowbell) 2021-2022 Expiring	Obsidian (Cowbell) 2022-2023 Renewal
Liability Costs	\$1,000,000	\$1,000,000
Payment Card Industry (PCI) Costs	\$1,000,000	\$1,000,000
Regulatory Costs	\$1,000,000	\$1,000,000
Cowbell Breach Fund	\$1,000,000	\$1,000,000
Data Restoration Costs	\$1,000,000	\$1,000,000
Extortion Costs	\$1,000,000	\$1,000,000
Business Impersonation Costs	\$1,000,000	\$1,000,000
Business Interruption Loss	\$1,000,000	\$1,000,000
Contingent Business Interruption Loss	\$1,000,000	\$1,000,000
System Failure and Contingent System Failure	\$1,000,000	\$1,000,000
Cyber Crime Loss	\$250,000	\$250,000
Bricking Costs	\$1,000,000	\$1,000,000
Criminal Reward Costs	\$100,000	\$100,000
Deductible	\$25,000	\$25,000
Premium	\$13,273	\$15,177

Alliant Recommendation: Alliant recommends renewing the cyber coverage with Cowbell.

TUCSON AIRPORT AUTHORITY 8/15/22 to 8/15/23 Insurance Renewal

8. LAW ENFORCEMENT LIABILITY

Law Enforcement Legal Liability / Police Professional Liability is specifically designed to address claims for false arrest, excessive force, wrongful search and seizure, assault and battery for TAA's police department (TAAPD). The current insurance market conditions for this coverage can be very difficult as a result of the rise in scrutiny, allegations, and investigations against law enforcement officials. Pricing continues to rise and there are only a handful of insurance carriers willing to offer coverage

Marketing Efforts:

- Alliant marketed the account to all law enforcement liability insurance carriers for the 2021-2022 renewal. Coverage was bound with QBE for the 2021-2022 term (moved from AXA).
- As discussed with TAA staff during our renewal strategy meeting, it was agreed Alliant would focus on seeking favorable renewal pricing, terms and conditions from QBE.
- We received a very favorable quote from QBE

	QBE 2021-2022 Expiring	QBE 2022-2023 Renewal
Each Law Enforcement Occurrence	\$1,000,000	\$1,000,000
Police Aggregate Limit of Liability	\$2,000,000	\$2,000,000
Retention	\$25,000	\$25,000
Total Cost Incl. Taxes & Stamping Fee	\$21,965	\$25,063

Alliant Recommendation: Alliant recommends binding the Police Professional coverage with QBE, primarily due to the outstanding claims advocacy available through QBE with whom Alliant has an extremely strong relationship with their senior claims professionals, ensuring quick and thorough response on claims.

TUCSON AIRPORT AUTHORITY 8/15/22 to 8/15/23 Insurance Renewal

9. DEADLY WEAPON RESPONSE PROGRAM

This product provides third party bodily injury liability, first party property damage, business interruption & crisis management consulting for deadly weapon events occurring at a scheduled location. These coverages may not otherwise be included in TAA's airport liability or property coverages. See below table for program details. This was a new line of coverage for TAA in 2021-2022; which was bound last year.

	Lloyd's of London 2021-2022 Expiring	Lloyd's of London 2022-2023 Renewal
Each Occurrence Limit	\$500,000	\$500,000
Annual Aggregate Limit	\$500,000	\$500,000
Crisis Management Services Sublimit	\$250,000	\$250,000
Counseling Services Sublimit	\$250,000	\$250,000
Business Interruption Sublimit	\$250,000	\$250,000
Funeral Expenses Sublimit	\$250,000	\$250,000
Deductible Each Event	\$10,000	\$10,000
Total cost incl. Taxes and Stamping Fee	\$5,528	\$5,875

Alliant Recommendation: Alliant recommends binding the ADWRP coverage with Lloyd's of London again due to the prevalence of attacks with deadly weapons. This program can provide meaningful financial protection and services for minimal cost. Note: this coverage is in a program which has a policy period of July 1 to July 1 and has already been renewed as of July 1, 2022.



As of: 7/28/22

Appendix A



2021-22 Expiring Insurance Program and Quoted / Not To Exceed Premium for 2022-23 Renewal

	Line of Coverage	Insurance Carrier	Expiring			Renewal			Exposure Change	Premium Change Year over Year %	Alliant Recommendation	Notes
			Premium	Policy Limit	Deductible/SIR	Premium	Policy Limit	Deductible/SIR				
1	Property	Travelers	\$ 200,978	\$ 261,880,866	\$ 50,000	240,000	\$286,853,664	\$50,000	10%	19.42%	X	Removed 1% deductible for wind/hail damage Business Interruption coverage of \$12M requires updated worksheet completed; If TAA believes there could be a loss > \$100K, we recommend the expiring deductible amount of \$50K
	Option:	Travelers	\$ -	\$ -	\$ -	229,500	\$286,853,664	\$100,000	10%	14.19%		Premium savings = \$10,500 to increase deductible from \$50K to \$100K;
2	Airport Liability	AIG	\$ 89,970	\$ 200,000,000	\$ -	\$ 115,255	\$ 200,000,000	\$ -	29%	28.10%	X	Exposure change is # of enplanements; Preferred Aviators require the binding of at least one other line of coverage. i.e. Airport Liability and/or Inland Marine
3	Commercial Auto	Preferred Aviators-AIG	\$ 131,298	\$ 1,000,000	\$ 1,000	\$ 147,347	\$1,000,000	\$1,000	0%	12.22%	X	Satisfies requirement for bundling multiple lines of coverage with Preferred Aviators, offers competitive coverage and reduced cost
4	Inland Marine	Preferred Aviators-AIG	\$ 11,365	\$ 5,947,561	\$ 2,500	\$ 12,876	\$6,137,061	\$2,500	3%	13.30%		10% increase is a good result in this market for D&O coverage as this also includes claims for employment practices (discrimination, harrassment etc.) which is seeing large uptick in claim values nationwide)
5	Management Liability (Directors & Officers)	RSUI	\$ 54,430	\$ 5,000,000	\$ 50,000	\$ 59,910	\$5,000,000	\$50,000	NIL	10.07%	X	
6	Crime and Special Risk	CHUBB	\$ 13,219	\$ 5,000,000	\$ 20,000	\$ 13,219	\$5,000,000	\$50,000	NIL	0.00%	X	Chubb provided automatic renewal at flat premium
7	Cyber Security	Obsidian (Cowbell)	\$ 13,273	\$ 1,000,000	\$ 25,000	\$ 15,176	\$1,000,000	\$25,000	NIL	14.34%		Cyber market continues experiencing unparalleled pricing increases and fewer insurance carriers. Coverage was moved to Cowbell in 2021 and they are a great partner to continue providing this cover at a reasonable increase.
8	Law Enforcement Liability	QBE	\$ 21,965	\$ 1,000,000	\$ 25,000	\$ 25,063	\$1,000,000	\$25,000	NIL	14.10%		Coverage was moved to QBE in 2021 and they continue to be a great partner
9	Deadly Weapon Response	Lloyd's of London	\$ 5,528	\$ 500,000	\$ 10,000	\$ 5,875	\$500,000	\$10,000	NIL	6.28%		This was new coverage for TAA in 2021; renewal date is 7/1/22
	TOTALS (Expiring)		\$ 542,026									
	TOTALS (Recommended Renewal)					\$ 634,721				17.10%		Not including the cyber, the renewal premium is 2% over expiring