



## BOSTON 2024: RISK MANAGEMENT AND INSURANCE OVERVIEW

### Introduction

Under an updated plan announced on June 29, 2015 by the Boston 2024 Partnership (referred to as “Bid 2.0”), the Olympic and Paralympic Games would accelerate transportation improvements, create jobs, and produce thousands of new units of housing for Greater Boston – while producing a surplus and minimizing risks to taxpayers. While no project is ever completely without risk, Boston 2024’s fact-based analysis demonstrates that the Games represent a historic economic development opportunity for New England that we may not see again.

Hosting the Olympic and Paralympic Games would be a great privilege. Hosting also comes with its share of risks, as any big opportunity does. However, history has proven that fiscally responsible approaches to running major event operations, like the Olympic and Paralympic Games, are capable of generating operating surpluses and, more importantly, create long-term benefits that advance a city’s economic progress for years to come.

A historic prerequisite of hosting the Olympic and Paralympic Games is that the host city, together with the organizing committee and, to a more limited extent, the national Olympic committee (the United States Olympic Committee in the case of the United States), must provide guarantees to deliver the Olympic and Paralympic Games. In order to prevent such guarantees from being drawn upon and to instead fully fund the Olympic and Paralympic Games and their preparation solely from the budgeted funds, Boston 2024 has developed a detailed overall risk management strategy as outlined in Bid 2.0.

The risk management strategy includes four levels of protection to avoid drawing on required guarantees, each of which builds upon the prior level and multiplies taxpayer protection.

#### **1. A conservative and tested operating budget resulting in a contingency and surplus**

Boston 2024 employed a rigorous and conservative budget exercise and adhered to a set of guiding principles including maximizing opportunities for legacy value, creatively and resourcefully utilizing Boston’s existing assets, showcasing our city’s vibrant sports community and culture, and being responsible and transparent in estimates and projections. Consequently, both the operating budget for the Olympic and

Paralympic Games and the capital budget include conservative estimates for expenses and built-in contingencies, resulting in additional opportunities for cost improvements. The operating budget also includes conservative estimates for revenues, based on revised guidance from the International Olympic Committee and USOC. Much of the revenue is knowable and obligated to be paid under existing global and domestic sponsorship and broadcast agreements. Estimates for the remaining revenues (e.g., Olympic and Paralympic Games ticketing, licensing, and other opportunities) are based on past experience, new guidance from IOC Olympic Agenda 2020 reforms, and conservative assumptions with substantial room for upside. Finally, the budgets demonstrate diversification of the cost base into 30-plus venues which disperses risk of cost overruns and venue delivery.

## **2. Transfer of risk to private sector in capital project development**

Consistent with our budgeting development process, Boston 2024 will drive a prudent and fiscally responsible approach that effectively manages development scope for both large-scale capital and venue-related projects. An important distinction is that the IOC does not control scope nor does it ask for additional modifications after the final host city selection. The Organizing Committee is bound to provide the field of play and locations, per the bid submission. Thus as the Games Organizing Committee manages and controls project scope, any increases or decreases in requirements are at the Committee's discretion. In addition to diligent scope management, Boston 2024 will also drive a thorough construction procurement process to ensure the selection of developers, contractors, and subcontractors that have solid financial backing and, in the case of every venue contract, deploy important contracting techniques (e.g. guaranteed maximum price). Developers and contractors will also be required to purchase additional protections, including surety and performance bonds on all projects. On large-scale projects (like Widett Circle and Columbia Point), to the extent necessary to provide further financial certainty or fill gaps in sureties, if any, capital replacement insurance will also be required. As a result, approximately 85% of total construction costs are segregated and covered separately by both private developer and umbrella insurance. The remaining 15%, concentrated in venue-related costs, are projects that are smaller in scale and scope that will have developer-backed insurance and be funded from operating budget revenue.

## **3. Established mega-event insurance addressing operating budget risks**

Boston 2024 will purchase a wide range of traditional insurance addressing a span of risks during preparation for and operation of the Olympic and Paralympic Games. Insurance policies will also protect and help insure the receipt of revenues from sponsors and other sources.

## **4. Overarching excess insurance coverage and additional protections**

As a fourth layer of protection, Boston 2024 will purchase additional readily-available insurance coverages to provide additional protection against decreased revenues and increased costs and to provide overarching excess coverage.

The risk management program is designed to minimize the possibility of costs being incurred by taxpayers. Through the four-pillar approach described above, Boston 2024 expects to use insurance in a more comprehensive way than in any prior Olympic and Paralympic Games in history.

### Insurance Coverage in Games Context

Insurance is a common tool used throughout the world on all different kinds of projects and undertakings, some much more complex, risky and costly than the Olympic and Paralympic Games. Insurers are expert at analyzing such risks and assume such risk in return for receiving the payment of a premium. Many of the insurance policies that will be used here entitle the policy holders to payments if certain events covered by the policy take place—just like the auto, home, or life policies that are familiar to everyone. Insurance companies agree to make such payments in exchange for premiums paid to them, which the companies in turn invest in order to make money. While all insurers are regulated by various government entities to ensure that, should they need to, they can pay their policyholders, Boston 2024 will be spreading its risk throughout many insurance companies in both the United States and abroad in order to further protect Boston 2024, the City of Boston, the Commonwealth of Massachusetts and taxpayers.

The Boston 2024 insurance program will consist of many types of insurance policies and bonds from a number of different insurance companies or other financial institutions that specialize in the different risks that will be present both during construction of the projects supporting the Olympic and Paralympic Games and during the operation of the Games. All premiums for such insurance policies and bonds will be paid from private funds, including the Boston 2024 operating budget and private developers and contractors who work on the venues.

Although no public funds will pay for insurance, insurance *coverage* will still extend to the City of Boston on every policy and to the Commonwealth of Massachusetts where appropriate. This means that if a covered claim were made against the City of Boston or the Commonwealth in connection with the Olympic and Paralympic Games, insurance money would be available to cover those claims. Finally, if some action or event prevented one insured entity (for example, Boston 2024) from making a claim under a policy following an insurable event, that would not preclude another insured entity (for example, the City of Boston) from drawing on the policy after the insurable event.

### Conservative Operating Budget with Contingency and Surplus

Boston 2024's comprehensive and unprecedented risk management program is intended to prevent the use of public funds. Neither the Commonwealth of Massachusetts nor the City of Boston will fund any portion of the costs of building venues or operating the Olympic and

Paralympic Games or, as in the case of some past host cities, of funding a budget contingency. Instead, Boston 2024 will fund the Olympic and Paralympic Games privately from the revenue sources set forth in Bid 2.0, including broadcast, sponsorships, ticketing, USOC signature properties (e.g., the Torch Relay), and other sources. Boston 2024's plan does rely on Commonwealth of Massachusetts funding for certain infrastructure projects that will benefit the Olympic and Paralympic Games. Some of these infrastructure improvement projects are already planned, and all of them would benefit the Commonwealth in the long run, regardless of the Games.

The most important part of the risk management strategy is to ensure careful budgeting and strong project management. This is entirely achievable: The individual projects identified in Bid 2.0 are in line, in terms of scale and complexity, with other recent development projects in the United States, including the construction of the Boston Convention and Exhibition Center.

Experts have been able to make conservative estimates of the costs of the components of the projects, building to a conservative estimate of overall costs. Similar detailed planning and expertise based on prior experiences, both for prior Olympic and Paralympic Games and other comparable events, has informed the operating budget. In addition, contingencies of up to 15% in each of the venue budgets have been included to further mitigate the risk of decreased revenues or increased expenses. Management of both the revenues and the expenses for the operating budget will be the primary line of defense for risk management. Given the budget has been built off of London expenses for the Olympic and Paralympic Games it hosted where the cost of doing business is higher than Boston, there is substantial opportunity for improvement compared with the current budget.

In addition, the initial operating revenue forecast is conservative and presents substantial room for upside. Revenue forecasts were made in coordination with the USOC and IOC; a majority of these revenues are sponsor-based and known well in advance. The ticketing and sponsorship trends both in the Olympic and Paralympic Games and in U.S. sports more broadly make the forecasts in the Bid 2.0 budget all the more conservative, most notably:

- **IOC Contribution (\$1.5B)** Comprising TOP (The Olympic Partners) sponsors and broadcast rights, the latter of which have been contracted through 2032 for domestic broadcast. IOC staff has confirmed that 2024 bid cities may count on a minimum of \$1.5B for planning purposes. Boston 2024 is unaware of any instance from previous Olympic and Paralympic Games where the IOC contribution has been less than initially communicated.
- **Domestic Sponsorship (\$1.52B):** Total domestic sponsorship estimates are based on a bottom-up build for the domestic marketing using an established Olympic and Paralympic Games model of sponsorship sales. With a long and stable history of monetizing the US Olympic and Paralympic Team rights with dozens of committed blue chip domestic sponsors (e.g., AT&T, Nike, Deloitte, BMW, Citi)

and a robust deal flow that is supported by the Ted Stephens Amateur Sports Act, domestic sponsorships have traditionally been the largest revenue stream for Olympic and Paralympic Games. Approximately one-third (1/3) of sponsorships have already been contracted through 2020. Using conservative estimates based on past Games and historical agreements, approximately one-half of domestic sponsorships could be contracted by the end of 2019, with the remaining 50% proportionally contracted from 2020 until the Games. Indicative of the strong growth within these corporate sponsorship agreements, Tokyo has already secured approximately \$1.4B from its domestic sponsorship program.

- **Ticketing (\$1.25B):** Initial estimates leverage strong historical demand (i.e., last three Olympic and Paralympic Games have exceeded ticketing projections submitted in their respective bids), a robust local sports market and demand, and additional revenue-generating opportunities (e.g., more sports such as Golf and Rugby, more Games sessions that mirror Rio's schedule rather than London's, and regional preliminary model). To be conservative, our current estimates also exclude revenues generated from the delivery of the Paralympic Games, but the incremental costs of delivery of such Games are incorporated into the current expense projections. Accordingly, any revenues generated from the Paralympic Games will be a net positive to the budget.

Both cost and revenue projections are based on expert data analysis and experience from prior Olympic and Paralympic Games, and have been pressure-tested with a variety of experts. The budget is based on deep-dive discussions into the London 2012 Olympic and Paralympic Games budget with the chief financial officer of the London 2012 Games, multiple visits and discussions with former host cities, open and continuous engagement with the IOC, and engagement with leading mega-event consultants and advisors. Accounting, management consulting, real estate, and construction experts have all reviewed the budget, and the budget continues to be internally reviewed and refined and will be reviewed with the Mayor's Office of Olympic Planning and The Brattle Group, the consultant engaged by the Commonwealth as part of a top-to-bottom review of Boston 2024's bid.

The risks and drivers of potential cost overruns are spread amongst a broad range of venues and projects. The likelihood of all projects suffering overruns is low; risk is spread across 30-plus venues. That diversified set of risks is then addressed both individually with project-by-project contingencies and insurance, and also top-down with an overall contingency and surplus and innovative overarching insurance that will be detailed further in the memo.

Even with the conservative budgeting described above, Boston 2024's Bid 2.0 projects a contingency and surplus in the operating budget of \$210 million, a contingency of \$54 million for venue construction in the operating budget and approximately \$400m in contingency for construction in the Widett Circle and Athlete Village projects. Like every other element of the operating budget, the line item for the premiums

for the insurance policies, \$128 million, is conservative and based on the high end of the range of estimates recently received from the insurance markets.

### Transfer of Risk to Private Sector on Capital Projects

Large capital projects transfer risk to private sector developers through both contracting and insurance. Once developers agree to master contracts with the City of Boston for the two largest construction and development projects – the Olympic Stadium and further development at Widett Circle and the Athlete Village at Columbia Point – the developers will assume responsibility for the projects, entirely managing and funding them. Boston 2024 has validated both the costs of and confirmed the interest in the two projects with developers, contractors, and real estate investors.

Contracting for medium to large-scale developments transfers risk to developers and has been done at a much broader scale than the development needed for the Olympic and Paralympic Games. In addition to a robust risk mitigation strategy addressed through proper contracts, performance bonds, and a reasonable level of contingency, every construction project also has its own set of contractual arrangements that may involve legal obligations, delivery methods, incentive agreements, cost limitations, and timing commitments, among other parameters.

It is common for large-scale development projects to agree upon a guaranteed maximum price (GMP) or lump sum contract. Under this contract type, the engineer or contractor (and subcontractors) agrees to perform the specified and described project for a fixed price, with the contractor responsible for cost overruns, unless the GMP has been increased via formal change order as a result of additional scope from the client. As mentioned earlier, the Games organizing committee manages and controls project scope; any increases or decreases in requirements are at the Committee's discretion. We expect to use this type of contract for every venue. Through a competitive bid process, we foresee many local and national contractors submitting competitive GMP proposals. As part of the process, all contractors, sub-contractors, and materials suppliers will be required to provide payment and performance bonds.

Insurance on specific development projects is the next layer of protection for the taxpayer. In addition to carefully budgeting and managing venue development and evaluating every stage of construction, Boston 2024 will require that each and every developer and contractor for all of the projects, including the Olympic Stadium, the Athlete's Village, the aquatics center, the velodrome, and all other venues, is appropriately insured (and the City and the Commonwealth are protected) from the moment they seek to bid on any Games-related projects.

The detailed requirements will be set forth in the specifications applicable to any developer and contractor that bids on any venue or other project for the Olympic and Paralympic Games. The contractors will have to acquire such insurance (and will have to require all of their subcontractors to also acquire such insurance) as a condition of being awarded the bid and will have to include the cost of insurance in their project budget. This is a common practice in both public and private construction projects. The conservative estimates of the budgets for the venues in Bid 2.0 include estimated costs of insurance.

Another type of risk protection that will be used in the construction phase is known as surety bonding. While the term may not be widely known, the purchase of a surety bond is a standard part of all major construction projects. Surety bonds are issued by insurance companies as well as other financial institutions. A surety bond guarantees that a project will be finished in case the contractor defaults—the surety bond holder comes in, hires a new contractor and pays to complete the project. It can then pursue the original contractor to recover costs, but the entity for which the project is being built is not involved in that dispute—it simply retains the benefit of a finished project. As described herein, sureties can guarantee performance, project delivery on-time and on-budget and payment, such as payment of subcontractors or suppliers as well as other parts of construction bidding and completion.

Contractors and developers will be required to buy insurance from reputable insurers, and be required to replace their insurance if the insurance company begins to face financial difficulty. Boston 2024 will work with insurance brokers and companies in order to provide developers and contractors with a list of potential providers of such insurance. This pre-clearing of potential providers will help manage the costs and time of putting such policies or sureties in place by the developers and contractors.

For the largest venues, such as the Olympic Stadium and the Athlete's Village, such insurance could include capital replacement to the extent needed to supplement sureties. Capital replacement insurance is a hybrid of surety policies, described above, and contingent capital. Such insurance pays in the event developers lose their financing after construction has commenced. Unlike a surety and performance bond, it would guarantee not only the performance of a contractor/developer but also that of the lender or financial institution backing the project. Construction sureties typically apply only to developers/contractors and not lenders. Capital replacement insurance wraps around the developer and the capital structure the developer brings. Like a surety arrangement, insurers would underwrite and sign off on the developer and the developers' capital sources, essentially prequalifying their financial agreements, creditworthiness, financial strength and ability to complete the development. Coverage would trigger under a wide array of possibilities (for example, if either the developer or the bank financing the developer enter bankruptcy or simply back out of the deal). **Table 1** provides details on the insurance that will be required of all contractors and subcontractors during construction.

**Table 1. Insurance Protection During Construction**

Type	Amount of Coverage	Expected Premium	Insured Parties	Risks typically covered
<b>Venue Construction</b> →Surety Bond →Performance Bond →Bid Bonds →Liability →Property	Dependent on cost of construction	Premium paid by contractors	Contractors; Boston 2024; City of Boston	These types of insurance cover all phases of construction. At the outset, a bid bond guarantees that once a bid is made, the bidder will perform the contract if it wins the bid. Surety and performance bonds come into play if the contractor cannot finish the project or the project experiences significant delays; they cover the cost of replacing or supplementing the contractor. Liability insurance covers damage to people or other people's property during the construction phase; property insurance covers damage to the project itself. All major construction and infrastructure projects typically utilize this type of program in order to manage risk.
<b>Capital Replacement</b>	Dependent on cost of construction	Premium paid by developers	Contractors; Boston 2024; City of Boston	This type of insurance provides coverage if developers cannot continue due to a lack of financing. It can replace the investment funds that would have been used to build the Olympic venues, giving the provider an equity position.
<b>Other</b> →Builders' Risk →Professional Liability with cost overrun coverage	Dependent on cost of construction	Premium paid by contractors	Contractors; Boston 2024; City of Boston	Builders' risk and professional liability insurance can protect contractors (and owners) if costs run over for certain insurable reasons. For example, builders' risk policies can provide coverage if the project's start date is delayed due to fire, flood, or loss of materials in transit. Professional liability policies can provide coverage if a contractor mismanages the services it provides, including schedules and logistics, and is sued for those losses. Sometimes owners themselves can buy these types of policies as well.

## Established Mega Event Insurance

As with many major events – including past Olympic and Paralympic Games and Super Bowls – a set of readily-available insurance products will overlay the conservative budget and site-specific coverages, thereby further increasing taxpayer protection. Boston 2024 has included in the plan a number of additional policies that will protect against liability exposures during the Games and the potential for lost revenue should the Games be disrupted for various reasons.



The types of coverage and estimated costs of premiums are set forth in **Table 2**. The premiums for such insurance will be paid by Boston 2024 as part of its operating budget. The Bid 2.0 operating budget conservatively includes \$128 million for such premiums, which represents the high end of a range of potential premiums based on initial estimates from experts in the industry. By utilizing a competitive process to procure the insurance, the actual premiums may be lower. In addition, the amount of coverage that Boston 2024 is able to purchase may be bigger—and the program will be designed so that if the limits of some policies are used up, others may cover any additional losses.

Depending upon the circumstances, several different policies may be triggered, so more than one policy would be drawn upon to cover a loss. For example, a catastrophic event would likely trigger coverage under multiple policies. A major storm or terrorist threat, for example, that affected a venue and caused cancellation of an event would provide a claim under the event cancellation policies. If the cancellation of such event in turn led to decreased participation by athletes, loss of appeal would be available. Failure to deliver that venue could trigger obligations to the IOC under the Host City Contract, so the liability and indemnity coverage under the Host City Contract/Games Operating Agreement Policy would be available. Furthermore, all such coverage would be further enhanced by the additional protections described below in Part IV, [“Overarching Excess Insurance Coverage and Additional Protections.”](#) With the estimated conservative coverage levels set forth in Table 2, the total coverage in such example would be \$1.45 billion.

Like the surety bonds and other insurance for the construction of projects, these insurance policies are not unique in the insurance markets. Most major sporting and other large events buy event cancellation insurance or loss of appeal coverage. Trade credit insurance, which helps ensure the receipt of revenues from sponsors, an important source of revenues for the operating budget, also is common in many types of business arrangement that rely on sponsorship revenues. Even the coverage that sounds unique to the Olympic and Paralympic Games, the Host City Contract and Games Operating Agreement coverage, consists of different types of coverages frequently obtained by businesses when they undertake obligations under contracts. This coverage would be in place in the run up to the Games, following the International Olympic Committee’s selection of Boston as host city; during the operation of the Olympic and Paralympic Games; and through the wind-down period following the Olympic and Paralympic Games. Table 2 provides details on insurance protection before and during the operation of the Olympic and Paralympic Games.

Unlike the surety bonds and other insurance for the construction of projects, this type of insurance does not provide dollar-for-dollar coverage as compared to budget. The risk of a scenario in which none of the revenues in the operating budget are available and thus require even more than the amount covered by the insurance and the other contingency is de minimis.

**Table 2. Insurance Protection Before and During Operation of the Games**

Type	Amount of Coverage	Estimated Premium	Insured Parties	Risks typically covered
Event Cancellation	\$500 million	\$5 million-\$7 million	Boston 2024; City of Boston	Event cancellation insurance covers the costs incurred and loss of revenue suffered if an event is cancelled (or relocated) through no fault of the organizer—for example due to a natural disaster, an act of terrorism, a disruption in the power supply, or a labor strike. All events— <i>i.e.</i> , the entire Olympics—would be covered.
Host City Contract/ Games Operating Agreement	\$100 million	\$3 million-\$5 million	Boston 2024; City of Boston	This insurance would cover damages owed to the International Olympic Committee if Boston is chosen as a Host City but is unable to meet its obligations under the Host City Contract/Games Operating Agreement.
Trade Credit	\$100 million - \$200 million	\$1 million-\$2.5 million	Boston 2024; City of Boston	This type of insurance would step in to provide coverage if a sponsor of the Olympics cannot meet its obligations (e.g., becomes insolvent or cannot make payments in accordance with the agreed to terms and conditions).
Loss of Appeal	\$350 million	\$1 million-\$2.5 million	Boston 2024; City of Boston	Loss of appeal insurance provides coverage for reduced ticket sales and attendance if the events become less appealing; if, for example, a competitor country drops out of the event. It could also cover a loss of advertising or broadcast revenue in such an instance.

## Overarching Excess Insurance Coverage and Additional Protections

In combination with the prior three layers of protection, Boston 2024's general insurance coverage described herein, typical of most businesses, along with its overarching excess coverage, would make Boston 2024 the most insured Olympic and Paralympic Games in history. While the insurance products are not necessarily new, the compounding effects of mandating high-quality coverage from all contractors and the multiple layers and types of coverage across insurers would provide taxpayers with unprecedented layers of protection in comparison to prior Olympic Games.

Boston 2024 will have broad coverage that will protect other areas of investment and potential revenue. Depending upon the nature of the disruption, these policies (outlined in **Table 3**) could provide overlapping and/or additional protection with the policies discussed above.

The general insurance provided will be typical of that purchased by businesses, from small to large, to protect them from the costs that can arise from their interactions with the public. For example, if an attendee at the Olympic Stadium falls and injures himself, this insurance can cover the costs connected with that injury and defense costs for any related lawsuits. Another example is if property gets damaged during the

course of the Olympic and Paralympic Games by Games employees or equipment—the public liability insurance will cover the costs of the damage. This is an extremely widely used form of insurance, and the expected premiums are in a higher range than the other coverages because coverage is more likely to be triggered. Additionally, Boston 2024 will place the typical coverages for employees of the Olympic and Paralympic Games carried by most businesses, such as auto insurance.

Insurance in the event of a terrorist attack is an unfortunate necessity nowadays. It helps to cover the additional costs if an event is cancelled because of an attack or because the area near the event cannot be accessed due to a terrorist threat.

**Table 3. Additional Insurance Protections**

Type	Amount of Coverage	Expected Premium	Insured Parties	Risks typically covered
Public Liability & Indemnity	\$500 million	\$60 million-\$90 million	Boston 2024; City of Boston/ Commonwealth of Massachusetts; USOC; IOC	This is a common type of insurance used by business owners. It provides coverage if a person is injured (or a person's property is damaged) on the insured's property or by an insured's employee. It also provides coverage for contractual liability.
Terrorism	\$250 million	\$1 million-\$2.5 million	Boston 2024; City of Boston	Terrorism insurance provides coverage for the loss of revenue and other financial losses in the event of a terrorist attack (for example, if an Olympic site is damaged or if it cannot be accessed after a nearby attack).
Various miscellaneous	TBD	\$1 million-\$3 million	Boston 2024; City of Boston	This includes auto, travel and other coverages for employees (and, if needed, for participants) of the Olympic and Paralympic Games.

Lastly, in addition to the separate coverages described above, Boston 2024 plans to put into place an overarching excess policy that will provide additional coverage over and above many of the individual policies listed above (see **Table 4**).

**Table 4. Overarching Policy**

Type	Amount of Coverage	Expected Premium	Insured Parties	Risks typically covered
All-Risk Excess Coverage	\$500 million	\$10 million-\$15 million	Boston 2024; City of Boston	Excess insurance is a kind of "umbrella" policy that provides additional coverage over and above the amounts insured under the Public Liability, Event Cancellation, and Games Operating and Host City Contract policies. It is a way of adding an extra layer of broad protection. The terms of the excess policy can often provide even broader protection.

## Timing and Next Steps

Boston 2024 has been very active and will remain active with the insurance markets to seek advice on policy development, budgeting, and other innovative solutions for ensuring maximum possible protection for taxpayers.

Boston 2024's efforts have been led by Heidi Lawson, head of Mintz Levin's Crisis, Risk Management and Executive Protection Practice and a 30-year veteran of the insurance industry. In addition to practicing law in New York and Massachusetts, Heidi also is a solicitor in England and lived in London during the time leading up to and including the 2012 Olympic and Paralympic Games. A significant focus of her practice is advising clients on how to manage complex risks through insurance and drafting appropriate policy language. She is also an experienced insurance underwriter, having earned the distinguished Chartered Property and Casualty Underwriter (CPCU) designation. Heidi and her team have spent hundreds of hours working with experts in the international insurance markets to develop Boston 2024's insurance program plan.

Among the different experts in the international insurance markets consulted in this process is Aon, a leading global provider of risk management, insurance and reinsurance brokerage and human resources, with 66,000 employees in over 120 countries. Aon has served as risk advisor for many high profile events including Olympic Games, and Pan American Games.

Willis Group Holdings plc, a leading global risk advisor, insurance and reinsurance broker, with 18,000 employees in over 400 offices, including some of the world's leading experts on analytics, modeling and mitigation strategies at the intersection of global commerce and extreme events, also reviewed and contributed to the risk and insurance plan. Willis has served as risk advisor for several high profile events including, but not limited to, the Olympic Games, the NCAA Basketball Tournament, the Super Bowl, the College Football Playoff, the Tour de France, the Goodwill Games, the Kentucky Derby, the World Series, and the Major League Baseball All Star event.

Boston 2024 already has certain insurance in place, including the policies that protect the City of Boston and its taxpayers from obligations undertaken in the Bid City Agreement among the United States Olympic Committee, Boston 2024, and the City of Boston.

As Boston 2024 continues to refine its bid, it will issue a request for proposals to insurance brokers to enlist a number of brokers in further detailing and enhancing the insurance program. The request for proposals is expected to be issued by August 1.

None of the above-described insurance will be put in place until it is needed. In the case of most of the policies, that means that the insurance is not bound until the obligations are undertaken which would happen after the IOC's selection of a host city in 2017. Just as it would be

premature to purchase auto insurance before buying a car, it is premature to acquire most of the insurance described above unless and until awarded the Olympic and Paralympic Games.

In addition, Boston 2024 is developing a plan to fund any deductibles for the insurance, including through a trust that is funded from contingencies and other available revenues, which will be invested and available to pay insurance deductibles and other costs related to insurance claims, to provide yet another layer of protection for taxpayers.

### Insurance Industry Perspectives

After evaluating the Boston 2024 insurance plan, leaders from the insurance and reinsurance industry have offered the following perspectives:

"Risk management and insurance plans of this scale and complexity are not unprecedented. In fact, each type of policy has precedents either in past Olympic Games or other major events. The Boston bid team has clearly studied the risk management strategies of previous host cities and has developed a comprehensive approach to managing the risks assumed by the city. We have every expectation that the world's insurance markets will enthusiastically support the Boston bid."

*-Randy Nornes, Executive Vice President, Aon Risk Solutions*

"The collection of insurance policies outlined by Boston 2024 is attainable and feasible, and the premium price estimates are conservative and appropriate. Hosting the Olympic and Paralympic Games is a large undertaking with many moving parts, but insurers have the capability to assemble and deliver comprehensive policies to effectively mitigate the risks involved with hosting."

*-Glenn McGrath, Executive Vice President, Willis Group Holdings plc*