



ALPA Risk Management and Kitty Hawk Insurance Company

A Vital Financial Asset to Protect Our Union's Resources

Any well-run business or organization has a solid risk management program to ensure its long-term viability and survivability. ALPA is no different. ALPA's risk management program has been developed and refined over its eighty-year history to both maximize outcomes and minimize risk to the union and its members. Insurance, including coverage provided by Kitty Hawk Insurance Company, is a key component of ALPA's risk management.

History and Mission of Kitty Hawk Insurance Company

Established in 1991, Kitty Hawk is a Bermuda-based captive insurance company that is a wholly owned subsidiary of ALPA. ALPA is the sole shareholder in Kitty Hawk; no pilot or other individuals have any financial interests in ALPA.

Initially, Kitty Hawk provided fiduciary-only insurance coverage to ALPA for pilot representatives and staff related to activities on airline and ALPA benefit plans. However, beginning in 1999, as a result of action by the 1998 ALPA Board of Directors, Kitty Hawk expanded the insurance provided to ALPA to four lines of coverage, adding professional services, employment practices, and duty of fair representation (DFR) insurance. The current insurance program is unique. ALPA is not aware of any other U.S. or Canadian union that has DFR insurance coverage.

Kitty Hawk, in turn, purchases reinsurance coverage on all four lines from reinsurers based in both Bermuda and London. Bermuda has been determined to be the best location to access the Bermuda and London markets to reinsure the coverage Kitty Hawk is providing to ALPA on a cost effective basis. Reinsurance coverage through Kitty Hawk enables ALPA to obtain significantly more insurance coverage than if it relied on only Kitty Hawk for insurance.

ALPA and Kitty Hawk have expanded insurance/reinsurance coverage since the program was established in 1999. The status of the Kitty Hawk insurance/reinsurance program is reviewed by ALPA's Executive Council on a regular basis. However, ALPA and Kitty Hawk—as is true for many other organizations and their insurance companies, even captive ones owned by the organizations they insure—do not reveal their resources or insurance coverage publicly to potential litigants.

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Full Accordance with ALPA Policies

In accordance with ALPA financial policies adopted by the Association's Executive Board in 2005, ALPA's premium payments to Kitty Hawk cover the cost of Kitty Hawk's reinsurance premiums. Such premium payments are budgeted for payment from ALPA funds. All other Kitty Hawk expenses are paid from Kitty Hawk funds, not from ALPA dues. As with ALPA's other wholly owned subsidiaries and affiliated organizations, Kitty Hawk's financial results are consolidated into ALPA's annual audited financial statements, published, and made available to the membership.

Kitty Hawk Insurance Company Structure and Governance

As a Bermuda-based captive insurance company, Kitty Hawk is subject to Bermuda laws and regulations. Kitty Hawk uses a local law firm (Appleby), a captive insurance manager (R&Q Quest), and Bermuda-based auditors to advise on governance, legal and regulatory compliance, and accounting matters. Kitty Hawk pays for professional services directly or reimburses ALPA for certain services performed.

Kitty Hawk has a seven-member Board of Directors. ALPA's Executive Council approves the nomination of each director to the Board. Bermuda law requires two Bermuda residents to be directors on the boards of Bermuda-based companies. All directors serve on the Board without compensation.

Clear Benefits for ALPA and its Members

Kitty Hawk is not a liability of ALPA; it is an asset. In fact, it is an essential element of ALPA's risk management program. As with any insurance policy, Kitty Hawk acts as a safety net to protect the resources of the Association.

Kitty Hawk and the insurance/reinsurance program played an integral role in the settlement of the Mansfield lawsuit in 2010. Without it, ALPA would have had to use a significant portion of its available assets to settle the litigation.

An effective risk management program is integral to the long-term success of any organization. ALPA has developed and refined an extensive risk management program over many decades, with a focus on high quality advice and training, clear policies and procedures, sound decision making processes, and downside protection in the form of unique professional insurance through Kitty Hawk.

For more information, please contact ALPA at communications@alpa.org.