Airline Insurance Update

David Gasson

International Union of Aerospace Insurers
“The premiums of the many pay for the losses of the few...”

...but

• Airline market has narrow customer base (IATA has only 230 airline members)

• Each airline has huge potential exposure
The aviation insurance market provides to airlines, manufacturers, airports and service providers three principal coverages:

- **Hull** – damage to aircraft itself
- **Passenger** – liability for injury and death
- **Third Party** – liability for death, injury and property damage external to the aircraft

*All exclude War Risks through clause AVN48B*
War risk coverages ("war, hijacking and other perils" including terrorism)

• Hull – insured in a separate war risk market

• Passenger and Third Party – added through AVN52

Note: Prior to 9/11 war risk cover provided at nominal cost given absence of major loss

OECD Terrorism Risk Paris December 2012
9/11 led insurers to invoke 7-day cancellation clauses for all war risks covers

Non-war hull, passenger and third party covers restored in full

All insureds were offered:

- Full policy limits for passenger liability
- Third party cover limited to maximum USD50m in aggregate/any one year
- Additional cover offered in layers USD50-150m and USD150m-1bn
Today, full war risk cover provided for hull and passenger liabilities (as much as USD2.25bn)

Third party cover not fully integrated into main policies: airlines, airports and service providers commonly purchase XS layers

Cover for significant third party risks available only with aggregate/per occurrence limits

Price for XS cover now substantially lower than price immediately post 9/11
Thank you
dg@iuai.org