



Airline Insurance Update

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“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

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

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