Aviation Terrorism Insurance - not just for airlines!

Presented to OECD by
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Why does an aircraft operator buy legal liability insurance? (1)

1. Various statutory requirements worldwide**
   Evidence of requisite minimum limits of aircraft liability insurance principally for bodily injury to passengers and for bodily injury and property damage to third parties.
   This is required by almost all countries worldwide before an aircraft can take off or land.

2. Aircraft finance requirements **
   Comprehensive insurance requirements are made OF the airline lessee including minimum limits of (aviation) legal liability insurance.
Why does an aircraft operator buy legal liability insurance? (2)

3. Other commercial contractual requirements**

   e.g. aircraft manufacturers, airports etc.

4. Protection of the airline’s assets, shareholders and similar interests
   * (and including where an operator has no statutory or lease obligations but where he is potentially liable for passenger/third party bodily injury and property damage).

5. For post loss adjustment expertise.*

** Indicates various specific (minimum) requirements for war related legal liability cover (including terrorism).

*War-related legal liability cover (including terrorism) advisable.
Terrorism and Aviation Insurance

NO (commercially available) legal liability insurance limit can ever be described as ADEQUATE.

The test is REASONABLENESS
Thus an aircraft operator is ordinarily required to have certain minimum levels of war related insurance in order to address its legal liability to passengers (death/injury) and third parties (death, injury of third parties and damage to third party property) in the event of a loss caused by terrorism.
Terrorism and Aviation Insurance

This coverage for the aircraft operator can be obtained:

- Via the FAA War Risk Program (only available to U.S.-registered aircraft operators)
- Commercially—principally via IUAI members worldwide.

This is highly specialized insurance coverage.
Terrorism and Aviation Insurance

Commercial war related (terrorism) third party legal liability insurance for bodily injury and property damage is also available for other significant aviation exposures such as airports and ground service providers.

Nb. these parties are “locally” registered and do not fly internationally, thus they are not generally subject to the same level of legal requirements to insure their war related (terrorism) liabilities.
Terrorism Insurance for the Aviation Ground Service Industry

Addressing the Aviation Ground Service Providers (ground handling, catering, etc.), those owned by airlines and the global providers buy terrorism legal liability insurance cover BUT many other aviation ground service providers do not . . .

Suggest all aviation ground service providers worldwide should buy reasonable limits of terrorism liability insurance.
Terrorism Insurance for the Aviation Ground Service Industry

• Airlines are increasingly seeking confirmation during service contract negotiations that their service providers have reasonable terrorism legal liability insurance.

• Suggest this insurance should also be demanded by airport operators and governments.
Terrorism Insurance for the Aviation Ground Service Industry – IMAGINE A LOSS

• Imagine a loss caused by a terrorist in which a bomb explodes in an aircraft flying from Australia to France

• The aircraft crashes over land into a town

• There is significant loss of life, bodily injuries and loss of property
Terrorism Insurance for the Aviation Ground Service (2) – IMAGINE A LOSS

• The investigation begins by determining who is responsible in whole or part for the loss.

• The investigation is global in its reach.

• All parties potentially involved in such a loss should have reasonable limits of war related (terrorism) legal liability insurance to protect their interests, provide adjustment expertise/legal defence costs and contribute to the loss settlement if legally required to do so.
Terrorism Insurance for the Aviation Industry

Aviation Terrorism - a potential legal liability risk for most (if not all!) aviation companies.

AVIATION TERRORISM INSURANCE – NOT JUST IMPORTANT FOR AIRLINES . . .