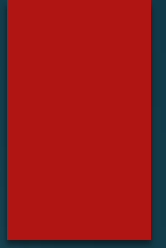


AVIATION INSURANCE



CATEGORIES OF AVIATION INDUSTRY

- ▶ **MILITARY AVIATION** - Generally chooses self insurance or no insurance as these operations are backed by sovereign powers and fiscal revenue of a country. When they take coverage for aircraft hull the coverage is provided for non combat since combat operations are uninsurable.
- ▶ **CIVIL AVIATION** – This can be further divided into 2 parts :-
 1. Airline operations
 2. General Aviation operations

TYPES OF AIRCRAFT

▶ Rotor Wing Aircraft

A rotor-wing aircraft is an aircraft that uses lift generated by rotor blades, that revolve around a mast.



▶ Turboprop


A **turboprop** engine is a turbine engine that drives an **aircraft** propeller.



▶ Jets (Turbofans)

Jet Engine is an Engine using jet propulsion for forward thrust. Turbofan engine is a combination of turbine and fan



- 
- ▶ Insurance industry tends to look at seating capacity as defining criteria for differentiating general aviation from airline segment.
 - ▶ Generally aircraft with 61 seats or more are considered as airlines.
 - ▶ Like marine hull insurance the aircraft hull insurance are on agreed value basis.

Aircraft Insurance Policy [As per AVN 1C]

Section I - Loss of or Damage to Aircraft

Coverage:

Accidental Loss of or damage to the Aircraft hull

- ▶ Expenses necessarily incurred for the immediate safety of the aircraft consequent upon damage or forced landing.
- ▶ Disappearance - aircraft is unreported for sixty days after the commencement of Flight

Exclusions

- ▶ wear and tear, deterioration, breakdown, defect or failure
- ▶ Damage to any Unit by anything which has a progressive or cumulative effect.

But accidental loss of or damage to the Aircraft consequent upon wear and tear etc. is covered.

➤ Deductibles:

▶ Airlines

Wide bodied Aircraft -USD 1,000,000

Narrow Bodied -USD 500,000/USD 100,000

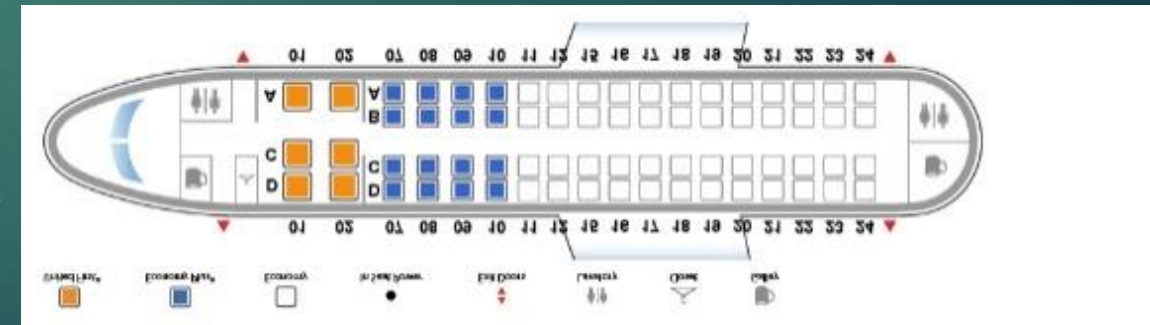
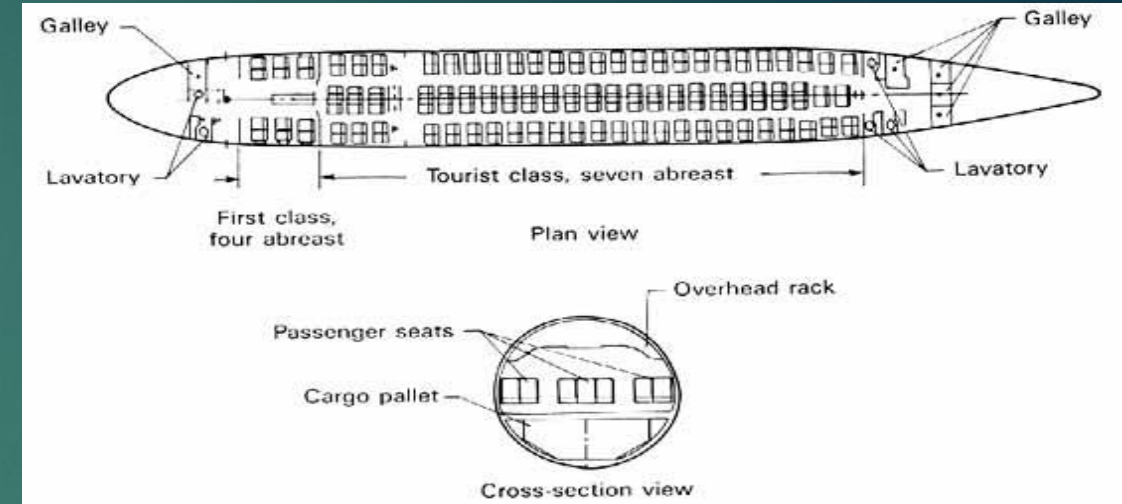
▶ General Aviation

Fixed Wing (Corporate Jets) USD 10,000

Rotor Wing 5% / 2.50% of agreed value

▶ For fixed wing aircrafts the deductible is not applicable to any form of total loss i.e. actual total loss, constructive total loss or arranged total loss

▶ For rotor wing aircrafts the deductible is applicable for all losses, partial or total



Section II Legal Liability to Third Parties

All sums which the Insured is legally liable to pay in respect of

- ▶ Accidental bodily injury and
- ▶ Accidental damage to property
caused by the Aircraft or by any person or object falling therefrom.

Section III Legal Liability to Passengers

Legal liability towards


- ▶ accidental bodily injury (fatal or otherwise) to passengers whilst entering, on board, or alighting from the Aircraft and
- ▶ loss of or damage to baggage and personal articles of passengers arising out of an Accident to the Aircraft.



▶ Section IV General exclusions

1. Policy excludes coverage

- ▶ when aircraft is used for illegal purpose or any other purpose other than agreed purposes.
- ▶ when the Aircraft is outside the geographical limits agreed upon unless due to force majeure
- ▶ when the Aircraft is being transported by any means of conveyance except as the result of an Accident giving rise to a claim under the Policy.
- ▶ when the Aircraft is being piloted by any person other than agreed except that the Aircraft may be operated on the ground by any person competent for that purpose.

- 
- ▶ when the Aircraft is landing on or taking off or attempting to do so from a place which does not comply with the recommendations laid down by the manufacturer of the Aircraft except as a result of force majeure.
 - ▶ When aircraft used with insured assumed liability or waived rights under any agreement (other than a passenger ticket/baggage check issued under Section III hereof). Coverage is restricted to liability that would otherwise have attached to the insured without such agreement. Purpose is to cover legal liability only.
 - ▶ When the total number of passengers being carried in the Aircraft exceeds the declared maximum number of passengers.
 - ▶ Coverage is excluded for war and allied perils and nuclear perils


Aircraft Insurance Policy – AVN 48B

War, Hi-Jacking and Other Perils Exclusion Clause

- ▶ This policy does not cover claims caused by
 - (a) War, invasion, acts of foreign enemies, hostilities, civil war, rebellion, revolution, insurrection, martial law, military or usurped power or attempts at usurpation of power.
 - (b) Any hostile detonation of any weapon of war employing atomic or nuclear fission and/or fusion or other like reaction or radioactive force or matter.
 - (c) Strikes, riots, civil commotions or labour disturbances.
 - (d) Any act of one or more persons, whether or not agents of a sovereign Power, for political or terrorist purposes.
 - (e) Any malicious act or act of sabotage.
 - (f) Confiscation, nationalization, seizure, restraint, detention, appropriation, requisition for title or use by or under the order of any Government (whether civil military or de facto) or public or local authority.
 - (g) Hi-jacking or any unlawful seizure or wrongful exercise of control of the Aircraft or crew in Flight (including any attempt at such seizure or control) made by any person or persons on board the Aircraft acting without the consent of the Insured.

Aviation Hull War and Allied perils – LSW 555D

- ▶ [Section 1] Hull war and allied perils covers six out of seven exclusions under AVN 48B
 - (a) War, invasion, acts of foreign enemies, hostilities, civil war, rebellion, revolution, insurrection, martial law, military or usurped power or attempts at usurpation of power.
 - (b) Strikes, riots, civil commotions or labour disturbances.
 - (c) Any act of one or more persons, whether or not agents of a sovereign Power, for political or terrorist purposes.
 - (d) Any malicious act or act of sabotage.
 - (e) Confiscation, nationalization, seizure, restraint, detention, appropriation, requisition for title or use by or under the order of any Government (whether civil military or de facto) or public or local authority.
 - (f) Hi-jacking or any unlawful seizure or wrongful exercise of control of the Aircraft or crew in Flight (including any attempt at such seizure or control) made by any person or persons on board the Aircraft acting without the consent of the Insured.

- 
- ▶ [Section 2] It provide for Extortion and Hi-Jack expenses upto a limit of 90% of the amount stated in schedule. It is a condition that 10% amount will remain uninsured. The coverage is subject to its not being in contravention of any applicable law.
 - ▶ [Section 3] This Policy excludes loss, damage or expense caused by war (whether there be a declaration of war or not) between any of the following States: the United Kingdom, the United States of America, France, the Russian Federation, the People's Republic of China; nevertheless, if any Aircraft is in the air when an outbreak of such war occurs, this exclusion shall not apply in respect of such Aircraft until the said Aircraft has completed its first landing thereafter;

Aircraft Insurance Policy – AVN 52E

Extended Coverage Endorsement (Aviation Liabilities)

WRITE-BACK

All sub-paragraphs other than (b) of Clause AVN 48B are deleted

LIMITATION OF LIABILITY - any one Occurrence and in the annual aggregate

The sub-limit does not apply to Insured's liability: (a) to the passengers (b) for cargo and mail

AUTOMATIC TERMINATION

Upon the outbreak of war between any two or more of the P5 countries

Upon the hostile detonation of any weapon of war employing atomic or nuclear fission and/or fusion

Upon requisitioning of the Aircraft for either title or use

REVIEW AND CANCELLATION

7 Days notice to review Premium and/or Geographical Limits

Limited Cancellation (48 hours) Following a hostile detonation of atomic weapon

Cancellation (7 days)

Typical Airline Insurance Programme

HULL

<p>Main policy giving Hull All Risk (HAR) cover (AVN 1C) excludes (AVN 48B) all war perils</p>	<p>Hull War Risk Cover LSW 555C</p>
<p>Non-War Perils</p>	<p>War Perils</p>

LIABILITIES

<p>Main policy (AVN 1C) giving liability cover excludes (AVN 48B) all war perils excepting passenger liability</p>	<p>Excess War Liability Market (AVN 52E) xs of USD 50/150/250 mln</p>
<p>Non-War Perils</p>	<p>Partial write-back (AVN 52E)</p>
<p>Non-War Perils</p>	<p>War Perils</p>

Hull Deductible Cover



- ▶ Provided along with HAR policy for indemnity against deductible imposed.
- ▶ Warranted HAR is in full force and claim is otherwise admissible under HAR
- ▶ Aggregate limit specified

Underwriting Considerations

The principal underwriting considerations that should be examined and evaluated are as under:-

- ▶ **Type of aircraft, make, model.** For example, whether Fixed Wing or Rotor Wing, jet, turbo-prop or IC engine, whether an advanced sophisticated variant or model (this would have to be co-related to pilot qualifications).
- ▶ **Use of the aircraft.** - For example, whether used for corporate/business, risky areas like sport or crop-dusting where pilot quality and attitudes are often different. Also factors like what kind of passengers are typically carried (eg: HNI's) may also be examined in this context.
- ▶ **Aircraft value.** It may be noted that aircraft value is typically an insured's estimated value. There can be variations in value in respect of a similar make and model of aircraft based on aspects like number of hours flown, type of use or even quality or age of interiors. Where the proposed value looks strikingly unreasonable (per our own experience and market knowledge), the underwriter may either refer to the numerous internet sites that give aircraft values based on actual quotes/sales internationally, or even consider getting the aircraft valued by a surveyor in major cases.

- ▶ **Area of use of aircraft (geography)** -For example, if an aircraft frequently flies abroad. Not only the geographical area, the terrain may also be important, as in mountainous areas or urban rooftop helipads, for instance, in respect of rotor wings, or “bush” areas with kutcha airstrips in case of fixed wings, etc.
- ▶ **Particulars of Pilots** - This area is important and would have obvious bearing on the quality of the aircraft operations. The qualification/certification of the pilot and the number of hours he has – in total as well as on type and make/model/variant have to be examined. If any of these aspects are considered vital to the risk in our perception, these should be specified in the “Pilot Clause” part of the policy which will effectively become an express warranty on insurer’s liability.
- ▶ **Provisions for maintaining the aircraft**
- ▶ **Previous loss history** including type/nature of losses, especially in fleet proposals
- ▶ **Limits of TP Liability sought** This will also determine reinsurance requirements
- ▶ **Add-on covers** sought
- ▶ **Training Aircrafts** – which training whether continuous training or ab-initio training, solo flying students accompanied hours flying to be also considered

Aviation Safety

- ▶ Flight Data recorders [FDRs] – It has 2 components CVR and FDR.
- ▶ Traffic alert and collision avoidance system [TCAS]- To avoid mid air collision between two aircrafts.
- ▶ DGCA requires following aircraft to be equipped with TCAS:-
 1. MTOM of 5700 kg or above
 2. Max cruising speed excess of 463km/h and passenger capacity exceeding 30 seats
 3. Max payload capacity more than 3 tones

Aircraft Insurance Policy – AVN 34A

Passenger Voluntary Settlement

- ▶ Offer of Settlement in respect of bodily injury sustained by any passenger caused by an Accident regardless of legal liability of the Insured

Aircraft Insurance Policy – AVN 23A

Unlicensed Landing Ground Suitability Clause

The landing and taking-off on landing grounds other than licensed airfields are covered subject to

- ▶ Conducting the operations during the day
- ▶ Obtaining permission of the owner / tenant of the land
- ▶ Ascertaining the suitability of the landing ground
- ▶ Surveying of the landing ground by flypast or overflight immediately prior to landing.

Aircraft Insurance Policy – AVN 5A

DEFERRED PREMIUMS

- ▶ Facilitates remittance of premium in instalments
- ▶ Non remittance of premium by due date would render the cover by the policy to cease from midnight of such due date
- ▶ In case of claim exceeding instalments paid then balance instalments payable forthwith

Aircraft Insurance Policy – AVN 26A

Aircraft Laying – up Returns Clause

The Flight and Taxiing cover under all Sections of this Policy shall be suspended

Notice to Insurers prior to and upon termination of the lay-up

No return of premium shall be made if the Aircraft is laid up for maintenance, overhaul or repair

The period of lay-up is of at least __ consecutive days (usually 30).

No return of premium shall be made if a claim on the Aircraft has been made

The return shall be 75 % of pro rata of the difference between the FFR and GRO premium for the actual period of lay-up.

Aircraft Insurance Policy – AVN 61

Agreed Value Clause

All references to replacement are deemed to be deleted in respect of Total Loss Claims.

Insurers to pay the Agreed Value as per the Schedule

Not applicable to partial loss claims

Aircraft Insurance Policy – AVN 76

Supplementary Payments Clause

Any reasonable expenses incurred for the purpose of:

- ▶ Search and Rescue Expenses
- ▶ Runway Foaming
- ▶ Actual raising / removal / disposal / destruction of the wreck
- ▶ Public Inquiry in an accident

Sub-limited (usually) to 10% of the Hull Value in the aggregate

Aircraft Insurance Policy

AVN 73 and AVN 74

Liability to Pilots and Crew Clause (AVN73) – Liability of the insured to passengers is extended to include pilots and crew

Pilot indemnity Clause (AVN 74) – The Liability sections are extended to cover pilot as if he/she were the insured.

Aircraft Insurance Policy

AVN 85 and AVN 86

NO CLAIM BONUS ON RENEWAL CLAUSE (AVN85) – In the event of no claim and renewal of insurance being effected the insurers will allow a specific % of premium as NCBOR.

Profit Commission clause (AVN 86) – Insurers agree to return a profit commission % of net ascertained profit .

Net Ascertained profit – Premium- all settled claims and expenses

50/50 PROVISIONAL CLAIMS SETTLEMENT CLAUSE [AVS 103]

- ▶ Claim to be split between HAR and HWR underwriters 50% each when not clear under which policy it falls.

Aviation Personal Accident Insurance

- ▶ This Policy will pay up to the Capital Sum Insured, when an Insured Person sustains injury Compensation like a normal Personal Accident Policy and may extend weekly benefits.

Salient features

- ▶ Covers death or sustains bodily injury
- ▶ Cover may be on Named Basis or Unnamed Basis
- ▶ Cover may be for Occupational Risk or on 24 hour basis
- ▶ Cover may also restricted to flight risk only
- ▶ Benefits scaled on basis of permanent and temporary disablement [Table A, B and C]
- ▶ Sum Insured usually does not exceed 5 times annual salary of the pilot/crew

Loss of License Coverage's

- ▶ Provide benefit to the aircrew following permanent loss of temporary suspension of license.

Benefit (As a % of SI):

1. Permanent Total Disability
 - a) by Bodily Injury
 - b) by General Illness
 - c) by Classified Illness

2. Temporary Total Disability
 - a) by Bodily Injury
 - b) by General Illness
 - c) by Classified Illness

Waiting period ranges from 90-180 days

Coverage – Airport Liability Insurance

Coverage

The Insurers agree to pay in respect of legal liability of the insured towards:

- ▶ Bodily Injury and/or
- ▶ Property Damage

Wordings - ARIEL

Section 1 – Premises Liability

Section 2 – Loss of or Damage to Aircraft

Section 3 - Product Liability

Coverage – Aviation Fuelling Liability Insurance

A. SECTION 1 – PREMISES LIABILITY

At any airport and/or heliport premises arising out of the Insured's business of storage and supply of:

- ▶ fuel
- ▶ lubricants
- ▶ hydraulic fluids
- ▶ Related equipment

for use in connection with aircraft.

B. SECTION 2 – PRODUCTS LIABILITY

Indemnity against legally liability arising out of the Products Hazard.

AVIATION PRODUCTS, GROUNDING AND OTHER AVIATION LIABILITIES INSURANCE (AVN 98)

Section 1: Aviation Products and Grounding Liability Insurance

Section 2: Working Parties Liability Insurance

Section 3: Aircraft Third Party and Passenger Liability Insurance

Section 4: Airport Liability Insurance

Section 5: Aviation Premises and Hangarkeepers' Liability Insurance


Extensions:

Product Recall

HISTORY OF AVIATION LAW

- ▶ **1929: Warsaw Convention** was held in Warsaw and dealt with the most important private International law in civil aviation viz. the liability of air Carrier for bodily injury/death of passengers and loss of or damage to baggage and/or cargo during international carriage.
- ▶ Two goals were :- (a) harmonizing procedure for claims arising from international air transport, (b) limit air carrier liability from accident such that airlines could grow and survive
- ▶ India which is a signatory gave statutory effect by passing the “**Carriage by Air Act, 1972**”.
- ▶ **The Carriage By Air Act, 1972 (INDIA)** **Objective:** To give effect to the convention for the unification of certain rules relating to International Carriage by air signed at **Warsaw on 12/10/1929** and by the Hague Protocol on 28/09/1955 and to make provision for applying the rules contained in the said convention in its original form and in the amended form to Non- International Carriage by air and for the matters connected therewith.

- ▶ The Provisions of the Warsaw Convention 1929 are incorporated in the **First Schedule** of the Act.
- ▶ The provisions of the amended Convention, i.e. the Hague Protocol, 1955 are incorporated in the **Second Schedule** of the Act.
- ▶ **Montreal Convention** – It aims at replacing Warsaw convention 1929 and various amendments to it. Various amendments and protocols were adopted by various countries and thus disparities arose. Some countries ratifies some amendments and skipped some earlier amendments creating gap. It was thus desirable to comprehensively review international aviation liability regime and Montreal convention was formulated on 1999 which came into effect on 4th November 2003.
- ▶ India became a signatory of Montreal convention in 2009 and corresponding amendment were done through the Carriage by Air (Amendment) Act 2009.
- ▶ **Montreal Convention provide 4 jurisdiction for compensatory damages :-**
- ▶ Where the carrier is domiciled

- 
- ▶ Has his principal place of business
 - ▶ Has an establishment by which the contract has been made
 - ▶ Before the court having jurisdiction at the place of destination
 - ▶ However in death of passenger fifth jurisdiction is made available i.e. the territory in which the passenger has permanent residence.

Due to multiple jurisdictions it leads to forum shopping.

THANK YOU