AVIATION INSURANCE

What is aviation insurance?

- Aviation Insurance is also known as aircraft insurance.
- Aviation Insurance refers to indemnification of a client against losses arising from the result of damages, maintenance, or use of aircraft, and hangars at the airport.
- In addition, it provides coverages for damage to aircraft, property damage, and personal injury.
- Generally, the end users of aircraft insurance include airlines, airports, aircraft product manufacturers, leasing companies, air taxi operators, and corporate aircraft operators.

Types of Aviation Insurance

- Public liability Insurance
- Passenger Liability Insurance
- Ground risk hull Insurance (Not-in-Motion)
- Ground risk hull Insurance (In-Motion)
- Combined single limit
- In-flight Insurance

Public Liability Insurance

- This insurance covers the expenses that can result from damage occurring to the third party entities and property, like houses, crops, other aircraft, cars, and airport facilities caused by the insured aircraft.
- This insurance is also known as third party liability. The insurance does not offer coverage to the insured aircraft or the injured passenger travelling in that aircraft. In most countries, this insurance is mandatory.

Passenger Liability Insurance

- As the name suggests, this insurance provides payments for injuries and final expenses in the event of death of a passenger travelling in the aircraft.
- This insurance is usually mandatory by law for commercial or large aircraft.

Combined Single Limit (CSL)

- CSL insurance clubs the coverage provided by the public liability and passenger liability insurance into a single coverage. It sets an overall limit per payout per accident.
- By combining both public liability and passenger liability insurance into a single package, CSL offers more flexibility to the insurance holders in making payments for their liability.

Ground Risk Hull Insurance Not in Motion

- This type of aviation insurance provides coverage for damages sustained by the aircraft when it is on the ground and not in motion.
- So, the insurance provides coverage for damages that can be caused by fire, theft, flood, wind or hailstorms, animals, hangar collapse, and uninsured vehicles or aircraft colliding against the insured aircraft.
- The amount of payment to be made is usually decided at the time of purchasing the insurance.

Ground Risk Hull Insurance in Motion

- This aviation insurance provides coverage for damages that the aircraft may sustain while in motion.
- However, it excludes any damage that might occur while landing and taking off.
- This issue led to a lot of disputes between the aircraft owners and insurance companies, which eventually led many insurance companies to discontinue this type of coverage.

In-flight Insurance

- In-flight insurance provides coverage for damages that an aircraft may sustain when it is in motion.
- This is the most expensive aviation insurance as most accidents are likely to occur when the aircraft is in motion.

Reasons for Aviation Insurance Growth

- Rise in air passenger traffic
- Increase in government rules & regulations for passenger safety.
- Requirement of travel insurance
- Increase in global trade/Globalisation
- Benefits provided in aircraft insurance coverage

Limitations for Aviation Insurance Growth

- Costly premium
- Increase in frequency and Costs of claims

Covid 19 Impact on the Aviation Insurance Market

- The covid-19 outbreak has a significant impact on growth of the aviation insurance market size, mainly owing to large, well-documented claims from Original Equipment Manufacturers (OMEs).
- There has also been an increase in government rules & regulations for passenger safety post-covid.

Hinderances

- Tourism Industry had declined.
- New tailor-made offers were made to the customers by Insurance companies.
- Reduced airline activity brought severe impact on aviation insurance as airline premiums are generally assessed according to hours flown.
- Claims continued to occur from weather and ground collision damage such as individual incidents of hail and wind damage to sitting aircrafts.