

## HISTORY OF AVIATION

1903: 17/12/1903-WRIGHT Brothers of America - The real pioneers- Covered 120 ft. in 12 seconds  
1909: English Channel was crossed by air by a Frenchman in 37 minutes  
1919: Post World war – I, first British Commercial flight between London to Paris  
1927: By Charles Lindbergh–Historic Non–stop “Transatlantic Flight”– from America to Europe in 33 hrs  
1935: Highest recorded number of single type of aircraft ever manufactured DC - 3 - DAKOTA by Douglas USA  
1952: First commercial Jet flight by BOAC between London and Johannesburg (Comet – I)  
1976: British and French *Industry produced ‘CONCORDE’*, first supersonic commercial flight that used to fly at the speed of 1800 mph

## HISTORY OF AVIATION IN INDIA

Shri J.R.D Tata was the pioneer of aviation in India.  
1930: By J.R.D Tata from Bombay to London with a single stop in between.  
1932: By J.R.D Tata set up Aviation Division of Tata Sons Ltd. and pioneered air mail service between Karachi and Bombay and latter extended to Madras, Trivandrum, Goa and Colombo.  
1938: Tata Sons Ltd. carried a few hundred passengers.  
During World war – II: Tata aircraft were used for military purpose and after war converted for carriage of passengers.  
1946: Tata Sons Ltd. (Airway Division) was converted to AIR INDIA LIMITED, a public Ltd. Company.  
1953: Indian Airlines Corp. and Air India International were established under the statute by passing of Air Corporation Act, 1953.

## HISTORY OF AVIATION INSURANCE

In the early days the Aviation business was dealt with either in the Marine Department or in the Accident Department. Accordingly the practice of Aviation Insurance came to be largely influenced by Accident Insurance as well as by Marine Insurance

For example:

Following the Marine practice, Aviation hulls are insured on an “Agreed Value Basis”. Again the Aviation hull policy provides for payment of “Sue and Labour charges” i.e. expenses incurred in safeguarding insurance property from loss or damage. Cargo/freight also follow Marine Insurance.

On the other hand, Legal liability towards passengers and third parties, product liabilities of manufactures and personal accident risks are dealt with in traditional manner of the accident department.

Aviation Insurance have originated in the U.K. in early part of 19<sup>th</sup> Century and White Cross Insurance Agency was underwriting aircraft insurance and confined to fire risk only.

1910: Accidental damage cover was offered followed by third party insurance.  
1919: Lloyd’s Aviation Underwriters started to underwrite this business  
1922: Formation of British Aviation Insurance Group, which became famous British Aviation Insurance Company in 1931.  
1928: Formation of United States Aviation Insurance Group, followed by Associated Aviation Underwriters.  
  
1934: Formation of International Union of Aviation Insurers by leading aviation underwriters of U.K. and Europe.  
  
1935: Formation of Aviation and General Insurance Company.  
  
1935: Lloyd’s Aviation Underwriters felt the need for a joint body and accordingly formed the Lloyd’s Aviation Underwriters Association. In 1949 the companies formed the Aviation Insurance Officers Association.

## HISTORY OF AVIATION LAW

**CONVENTION:** Defined as a provisional treaty between sovereign states referred to in the treaty as High Contracting Parties (HCP). A convention comes into force after it is ratified by a minimum number of HCP as stipulated in the convention. A convention thereafter is open for accession or adherence by any non signatory state. Any one of the HCP may denounce the convention by notification.

**1919: First Convention (Paris Convention)** was held in Paris and framed rules in regard to fitness of the aircraft, registration of air craft, Certificate of airworthiness, Safety requirements of air craft, Pilot licensing, air navigation and the sovereignty of every state above its own territory.

The convention established **International Commission for Air Navigation (ICAN)**, which provided valuable advice to member countries on air safety and crew efficiency.

**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.

India which is a signatory gave statutory effect by passing the “**Carriage by Air Act, 1972**”.

1933: **Rome convention** was held in Rome with an intention to introduce a uniform law in respect of bodily injury to persons on the ground or damage to property on the ground and to limit the liability without proof of negligence. This convention is not of great practical importance as it did not receive much support.

**1944: Chicago Convention** was held for the purpose of revising the provisions of Paris convention 1919 and framed rules about flying, registration of air craft, Certificate of maintenance and airworthiness and Crew licensing. This convention has been ratified by many states.

It gave effect to establishment of ‘**ICAO**’ (International Civil Aviation Organisation), whose head quarter is at Montreal, Canada..

Following Chicago convention ‘**IATA**’ (International Air Transport Association ) was formed, which replaced the International Air Traffic association formed after Paris convention 1919.

1952: **Rome convention** surpassed and improved upon the earlier convention of 1933. This provides for compensation on proof only. A contribution condition also included. The extent of liability for damage was based on the maximum take-off weight, but unlimited liability where damage was caused deliberately. A provision was made for compulsory insurance of third party liability. This convention also received very little support.

**1955: Hague Protocol** was signed which amended and added certain provision of Warsaw convention 1929. The protocol came in to force on 1/8/1963

In India its provisions are given by the force of law by passage of Carriage by Air Act, 1972.

1961: **Guadalajara convention** was held on 18/09/1961, but came in force from 01/01/1964, which supplements Warsaw Convention

IMP: Warsaw Convention 1929 and Hague Protocol 1955 deals with the air craft operator’s liability to passengers and cargo. But object of Guadalajara convention was to extend the same protection to “Contracting Carrier”.

1963: **Tokyo Convention:** Deals with offences and certain other acts including unlawful seizure of aircraft, committed on the floor of the aircraft.

1966: **Montreal Agreement (CAB No – 18900)** : In 1965 U.S.A. considered that the limit of liability fixed by Warsaw Convention for death or bodily injury was too low and hence denounce Warsaw. A meeting was held in Montreal in 1966 and all Carriers signing the agreement agreed that all International transportation which include a point in the U.S.A. as a point of origin, destination or stopping on place, the limit of liability of each passenger shall be \$ 75000 (inclusive of legal fees & cost) and \$ 58000 (exclusive of legal fees & cost)

1970: **The Hague Convention:** The convention provides the **first legal definition of Hijacking** and also provides for the extradition of the offender.

1971: **Guatemala City Protocol:** The **Montreal Agreement** was only an interim agreement at the initiative of U.S.A., which was amended by this protocol by I.A.T.A. and the limits of the liability was enhanced.

1971: **Montreal Convention:** Deals with offences against aircraft and airport facilities and is therefore mainly concerned with ground safety.

### **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.

**“International Carriage”:** Defined as “Any Carriage in which the place of departure and the place of destination (whether or not there be a break in the carriage or a transshipment) are situated either within the territories of two High Contracting Parties

OR

Within the territory of a single High Contracting Party, if there is an agreed stopping place within a territory subject to the sovereignty of another power even though that power is not a party to the convention.”

**“Non International Carriage”:** Defined as “Any Carriage in which the place of departure and the place of destination are both situated in India and there is no agreed stopping place outside India”.

### **INVESTIGATION OF ACCIDENT:**

**Notification:** If an aircraft is involved in an accident, notice is to be given to Director General of Civil Aviation (DGCA), the **District Magistrate** and nearest **Police Station** as soon as possible and in any case **within 24 hours** of occurrence of accident. Notice has to be given by **commander of the aircraft** or if he is killed or injured by the **owner, operator or hirer**.

Inspector’s Investigation: The DGCA may **order the investigation** and appoint a person as an **“Investigator of Accidents”**, who shall make a report to DGCA. The DGCA is required to submit this report with his comments to Central Government who may publish the report. The Central Government has the discretion to appoint a **Committee** or may **direct a formal investigation**.

### **Accident to Foreign Aircraft:**

In respect of an accident to a foreign aircraft in or over India, an accredited representative of the country may participate in the investigation, inquiry or formal investigation along with technical assistant or other advisors.

## Different Aviation Policies in Details:

### 1. Aircraft Hull/Liability (Same as policy available in British Market)

#### Customer

• Owners/ Operators of airlines, • Owner of aircraft, Helicopters, • Manufacturer of aircraft, helicopters  
• Flying Club, • Training School, • Agricultural spraying operations, • Government Civil Aviation Department

#### The Insurance Cover

##### Section I

Provides cover for accidental **loss or damage to the aircraft** (includes engines, standard instruments, equipments and accessories forming part of the aircraft at the inception of coverage, including parts temporarily removed for repair etc. and kept in the control of insured and not replaced by other similar parts) **against accidental loss or damage** from **whatsoever cause** arising while in **flight** (Deemed to commence at the moment when power is applied to the aircraft to takeoff and terminates when the aircraft comes to rest or commences to taxi under its own power) or **taxiing** (Include all moments of the aircraft under its own power other than flight. Also includes halting in course of taxiing from one place to another) or **on the ground** ( All period during which the aircraft is not in flight, taxiing or moored) or **moored** (in the case of aircraft designed to land on water, whilst the aircraft is afloat and is not in Flight or Taxiing (as defined above), and it includes the risks of launching and hauling up).

##### Total Loss Basis:

**“Insured Value” Basis** – **Replacement** of aircraft by same **make** and **type** and same **condition**

**“Agreed Value” Basis** – **Payment of total value** of the air craft, agreed at the time of insurance.

N.B. – If the air craft takes off and is missing for a period of 20 days or as agreed it is deemed to have lost due to a peril. The agreed value is paid subject to refund if the aircraft is found subsequently.

In addition to the cost of repairer the following expenses if incurred with the consent of insurers are paid.

1. Watching and safeguarding the damaged aircraft and to prevent further loss.
2. Transport of required materials and technical persons to accident site.
3. Transportation of damaged aircraft to the repairer.
4. Necessary test flights.
5. Proportionate cost of obtaining new Certificate of Airworthiness (From date of accident to date of expiry of current certificate)

N.B. – Where the aircraft makes forceful landing by **force majeure** (Act of God) and unable to take off again, the policy pays the cost of dismantling and removal to the nearest aerodrome and re-assembly. These costs are paid even if the aircraft is not damaged.

##### Section II

Provides cover for insured's **legal liability including Legal Expenses to third party** for compensation **against accidental bodily injury** (fatal or non fatal) **to persons** and accidental **damage to property** caused in direct connection with the aircraft. The third party claims are governed by the law of the **particular country** (However the **Rome Convention 1952** shall apply).

##### Section III

Provides cover for insured's **legal liability including Legal Expenses** for compensation for **accidental bodily injury** (fatal or non fatal) **to passengers** while entering into, being carried in or alighting from the aircraft and **loss of or damage to passenger's baggage and personal effects** in course of carriage. The Policy can be **extended** to cover passenger liability on an **Admitted Liability basis** instead of **Legal Liability** (AVN 34A) on payment of additional premium.

##### Exclusions:

- When used for Illegal purpose or any purpose other than stated;
- Outside the Geographical limits stated unless necessitated by **forced majeure (Act of God)**;
- Piloted by any person other than stated;
- Total number of passengers carried exceeds the declared number stated and carried excess of total weight than authorised;

- Experimental or test flights;
- Transported by any means of conveyance except as a result of ;
- Willful and malicious acts of the insured or his employees;
- Strike, riots, civil commotions, confiscation or requisition for use by any Govt. or public or local Authority;
- War, hijacking and allied perils; (can not be extended by attaching clause AVN 48B)
- Nuclear risks.
- For Sec – II & III – Legal Liability to any household members and employees of insured, crew members, contractors and damage to any property or animals belonging to insured.

### Conditions

- Insured shall use due diligence to avoid accidents;
- Compliance with all air navigation and air worthiness orders and other statutory requirements;
- Immediate notice of any event likely to give rise to a claim;
- Policy may be cancelled by **insurers or insured by giving 10 days notice**. If cancelled by the insurer they will return prorated portion of premium. If cancelled by the Insured, return of premium shall be **at the discretion of the Insurer**;
- Automatically reinstated to the sum insured from the time of repair to the date of expiry.

### Underwriting Guidelines

- Duly completed proposals forms are to be referred to HO, Technical for approval of rates/ terms.
- The proposal form should be duly completed and should be checked for the following:
  - Make/Type of the Aircraft;
  - Engine Number and Type;
  - Year of Construction of Aircraft;
  - Maximum Take off weight;
  - Seating Capacity;
  - Use of Aircraft;
  - Area of Operation;
  - Details of Insurance required (viz, Hull All Risks, Hull War Risks, Third Party Legal Liability, Passenger Legal Liability, PA to Pilot/Crew, Baggage Liability);
  - Period of Insurance;
  - Details of Pilot (Whether Named Pilots or any pilot with valid license, Total Flying hour's experience);
  - Maintenance;
  - Claims experience of client, craft, and pilot.

### Determination of sum insured/values to be insured:

Section I - Sum insured is determined on **Agreed Value basis**

Section II – Limit of Indemnity to be fixed for AOA/AOP

Section III- Separate limits of Indemnity for **Passenger Legal Liability & Baggage Liability**

**Rating:** Hull All risk rated as a **percentage of aircraft value**.

The factors determining the rate are the types of aircraft (Fixed Wing/Rotor Wing), Year of manufacture, use, area of operation, take of weight, maintenance Pilots, Annual utilization Claims experience, limits of Indemnity. Total premium is usually payable in **4 equal installments**.

**Excess/Deductibles:** ( **Does not apply in the event of Total Loss, CTL, fire and theft**)

Separate excess can be fixed by the Insurer for flight, Taxiing, Ingestion, ground and Mooring risks. The policy **can be extended to cover this risk or separate policy (Aviation Hull Deductibles) can be issued** by charging additional premium from Airline owners/airline operators.

**BREACH OF WARRANTY INSURANCE:** The financiers are also protected by a special form of insurance **either by a separate policy or by an endorsement of the Hull policy**. If a claim is not payable to the insured by reason of a breach of warranty, the **financer will be reimbursed** to the extent of **loan outstanding**. This is very similar to Agreed Bank Clause in Fire Insurance.

## 2. Aviation Hull war and Allied Risks

### Product:

The Policy covers loss of or damage to aircraft due to war, hijacking and allied perils which is excluded from Hull all risk policy (by attaching clause AVN 48B). After the Israeli raid on Beirut airport of 28 December 1968, the London Market introduced a war and hijacking exclusion clause, (clause AVN 48B) which after undergoing certain amendments is forms part of every Hull and Liability policy.

**Customer:** Same as Air Craft Hull/Liability

### 2. The Insurance Cover:

#### Basic Coverage (loss or damage to Aircraft):

- War, invasion, civil war, rebellion, revolution, military coup;
- Strikes, riots, civil commotion and labour disturbances;
- Acts for political or terrorist purpose;
- Malicious acts;
- Confiscation/requisition of aircraft by Government of registration, etc (Add on cover by charging additional premium and passing **Confiscation** endorsement)
- Hi-jacking (Add on cover by charging additional premium and passing **Hijacking** endorsement)

#### Exclusion

- War between UK, USA, France, Russian Federation, and China (But policy will continue if the aircraft is in the air when war breaks out until it has completed its first landing)
- Confiscation by government
- Confiscation for financial default/repossession by title holder
- Delay, loss of use, consequential loss
- Use of chemical or biological materials
- Hostile use of radioactive contamination
- Hostile use of an electromagnetic pulse
- Hostile detonation of nuclear weapons

#### Conditions:

- Insurers may issue seven days notice to review premium and/or geography limits at any time;
- Automatic review of premium and/or geographical limits on expiry of seven days from hostile detonation of nuclear weapons;
- Insurers/Insured may cancel policy by giving not less than **seven days notice**;
- **Automatic termination of policy** in the event of war between UK, USA, France, Russian Federation, China and Hostile detonation of atomic or nuclear weapons of war; (**Pro rata refund of prem. if no claim**)
- Material change in operations provision.

#### Extensions:

Legal Liability of the Insured towards Passenger and Third Party due to war and allied perils can be covered by charging **additional premium** written back into the Hull/Liability Policy.

#### Determination of sum insured/values to be insured:

Each aircraft covered for the same **Agreed Value as under Hull all risk Policy** subject to a Policy aggregate sum insured per annum.



### 3. Combined single Limit Liability Policy

The policy is issued to all airlines and is designed to cover practically all the legal liabilities of the Insured arising out of their operations anywhere in the world during the policy period.

#### **The Insurance Cover**

**Section I : Third party Legal Liability** (Accidental both to Life and property): Caused by the aircraft or any person or object falling there from.

**Section I : Passenger Legal Liability** (Both to Life and baggage & personal effects): Legal liabilities for delay or accident of the aircraft and also arising through the carriage of persons (Not employee) who fly as authorized observers even though no tickets are issued to them.

**Section III : Cargo Legal Liability**: To pay compensation for accidental loss, damage, delay or mishandling of cargo whether in air or in ground. Also covers liabilities to pay any sums for claims for customs duties, penalties or similar charges out of handling of cargo.

**Section IV : Mail Legal Liability**: Covers liabilities in respect of any claim made against the insured or any Government due to loss of or damage to any registered, non registered, insured letters, packages or parcels whilst under Insured's charge or in the course of conveyance. Insured's agreements with postal authority of any country are also within scope of the cover.

**Section V : Comprehensive General Liability**: This section Covers

1. **Bodily injury or property damage** occurring in **insured's premises** as a direct result of the **services granted** or due to **fault or negligence** of the insured or any of his employees or due to any **defective plant used in the business** of the insured in the premises.
2. Loss of or damage to aircraft belonging to **third parties** whilst on the ground in the care, custody or control of the insured for the purpose of repair, service or storage only.
3. **Bodily injury or property damage** arising out of **possession, use, consumption or handling** of any goods manufactured, altered, repaired, serviced, sold or supplied by the insured or his employees after such goods have ceased to be in the possession or under the control of the insured.

#### **EXCLUSION:**

1. Damage to the property owned by or under the custody and control of the insured.
2. Claim arising out of financial default and insolvency of the insured.
3. Any liability to employee under any contract of service.
4. Any liability to contractors and sub contractors.
5. War and allied risks ( But can be extended at additional premium as per clause AVN 52, but excluding part b of AVN48b.
6. Radioactive contamination and noise pollution

#### 4. Aviation Personal Accident (for crew members)

**Customer:** The airline operator is the insured and has the sole and exclusive rights of receiving claim.

**Insured Persons:** Pilots, Co Pilots, members of crew, Engineers, Technicians, Navigators

##### Basic Coverage:

The Policy covers crew against injury, disablement or death arising out of an accident caused by accidental, violent, external and visible means while entering into alighting from or being as pilot member of the crew or passenger in any licensed standard type of aircraft anywhere in the world. The compensation payable is as per table below provided the injury sustained results in death / disablement within **twelve months of the occurrence of the accident**.

**Such risks are excluded under PA policy and hence a separate PA policy has been introduced to cover crew members.**

The policy can be extended by an endorsement to cover accident while travelling in a surface transport provided by the insured or its nominated agent, when such journey is directly connected with air journey on duty, as a necessary complement of the crew.

Sr. No.	Cover ( <b>Within twelve months of date of accident</b> )	Table - A	Table - B	Table - C
1.	Death	100% of CSI	100% of CSI	100% of CSI
2.	Loss of sight of two eyes/two limbs/one eye, one limb).	Nil	100% of CSI	100% of CSI
3.	Loss of one limb or sight of one eye Loss of one limb or loss of sight of one eye.	Nil	50% of CSI	50% of CSI
4.	Temporary total disablement.	Nil	1% of CSI for maximum <b>52 weeks</b>	1% of CSI for maximum <b>52 weeks</b>
5.	Permanent total disablement caused otherwise than by loss of limbs or sight.	Nil	100% of CSI	100% of CSI
6.	Permanent partial disablement	Nil	Nil	As per the % of CSI:
Additional Benefits	Expenses incurred for transportation of insured's dead body	Nil	Nil	2.5% of the CSI or Rs. 2500/- ,whichever is lower

##### Exclusions:

- Suicide, self injury;
- Disease, self injury or a deliberate self exposure to unnecessary danger;
- Any breach of law by Insured;
- Any breach by the insured of any air navigation/air worthiness orders;
- Insanity, Insured being under the influence of drugs/intoxicating liquor;
- Test flights;
- Insured taking part in any military, naval or air force operations;
- Insured engaged in Aerobatics, Experimental flying, racing, record attempt, speed trial, abnormal flying.
- **War, Hijacking and other perils;**
- **Aviation Radioactive Contamination;**

##### Conditions:

- **Accidental death shall not be presumed by reason only of the disappearance of the insured person.**
- Policy may be cancelled on the following ground and accordingly Prorata premium can be refunded:
  - Change of employer
  - Request for cancellation and subject to no claim reported under the policy
  - Absence of valid license.

##### Determination of sum insured/values to be insured:

Sum Insured is the Capital Sum Insured and is generally 3 to 5 times the annual income of the Insured Person.

- It is not desirable to increase the CSI mid-term of the Policy.
- In the case of substantial increase in salary the CSI can be increased subject to
  - Declaration by insured that he does not have any knowledge of illness
  - Enhanced CSI should not be more than 25% of the existing Policy



## 5. Aviation loss of License (Group or Individual)

### **Product:**

Operating pilots of aircraft are required to have valid license. In the event of the License being suspended on medical grounds such as illness, disease contracted or injury sustained during the policy period, either **temporarily or permanently**, the Loss of License policy provides for payment of compensation in case of **disability**. The policy is not a general health insurance and **does not cover** expenses incurred for **medical treatment** and **loss of revenue**.

### **Customer:**

Pilots Association, Airlines (For Group Policy)

Pilots (For Individual Policy)

### **The Insurance Cover:**

#### **Definition:**

**Incapacity** means any incapacity causing the permanent total disablement or temporary total disablement of the life assured.

**Permanent Total disablement** means any disablement due to bodily injury or to illness, disease or disability including natural deterioration of the life assured which is of a permanent nature and prevents him/her from attending to the occupation.

**Temporary Total disablement** means any disablement due to personal injury or illness, disease or disability including natural deterioration of the life assured which is a temporary nature and entirely prevents him from attending to the occupation.

#### **Basic Coverage:**

In the event of the person insured suffering bodily injury or illness resulting at any time whether during or after the period of insurance (**but not beyond a period of five years after the expiry of this insurance**) in their incapacity then the compensation as detailed below is payable:

Item Number	Type of Disablement	Compensation
Item 1	Incapacity causing Temporary Total Disablement due to psychosis or psychoneurosis or epilepsy	@ 1.5 % of the CSI per calendar month for not more than 12 months or up to the prior Death or PTD of the Insured Person
Item 2	Incapacity causing Temporary Total Disablement (otherwise than due to psychosis or psychoneurosis or epilepsy)	@ 2% of the CSI per calendar month for not more than 12 months or up to the prior Death or PT D of the Insured Person
Item 3	Incapacity causing PTD due to psychosis or psychoneurosis or epilepsy	After deduction of any payments made under other items 1 or 2, the balance of 18% of the CSI
Item 4	Incapacity causing PTD (otherwise than due to psychosis or psychoneurosis or epilepsy)	After deduction of any payments made under other items 1 or 2, the balance of 100% of the CSI
Item 5	Legal and /or other costs incurred with consent of the Company	Up to Rs. 2000/- per life insured.
<p>*Liability of the Company will not exceed 100 per centum of the CSI</p> <p>*<b>No compensation is payable in respect of the first 90 days of the incapacity</b> consecutively or in the aggregate in any one year of insurance</p> <p>** Company is entitled to withhold payment of the balance of the CSI for twelve calendar months after expiry of said 90 days but paying to the person insured compensation at the rates mentioned above.</p>		

**Exclusions:**

- Any personal injury, illness, disease or disability existing prior to the inception of the Policy
- Death of the Insured Person
- Insured Person taking part in riots or civil commotion
- Intentional self injury, suicide, provoked assault, dueling, fighting (except in bonafide self defence) or venereal diseases
- Deliberate exposure of the Insured Person to exceptional danger
- Any personal injury, illness, disease or disability giving rise to a claim under any previous Permanent Total Disability
- Riding or driving in any kind of race
- Chronic alcoholism or drug addiction.
- War and Ionising radiation or contamination

**Conditions:**

- Disputes to be referred to Medical Referee
- Insured to authorize Company to seek opinion of the principal medical officer of the competent civil authority to ascertain whether or not an incapacity is presumed to prevent him to follow his occupation
- Insured Person may, if required have to submit to an independent medical or surgical examination
- Policy will cease automatically if the Insured Person loses or terminates his membership of anyone of the Aircrew Association Extensions.
- Insured if required shall submit to an independent medical or surgical examination.
- Policy to cease if insured losses or terminates his membership of any aircrew Associations if the same has been obtained through the offices of any such association.
- This insurance shall apply while the insured is **anywhere in the world**.
- Insurer has the liberty to appeal against suspension, restriction or loss of license in the name of the insured and the insured shall provide information and assistance for defense.

**Underwriting Guidelines:**

Proposals should be accepted only from in the **age group of 18-65 years** having **valid license** issued by DGCA and **medically fit to hold the same**. Types of License issued to pilots are:

ALTP: Airlines Transport Pilots License;

CPL: Commercial Pilots License

- The Policy should not be issued as a Standalone product and should be issued to clients who place their aviation business i.e. Hull All Risk and Personal Accident (Aviation) insurance.
- At the time of acceptance of proposal, **proof of satisfactory electrocardiogram** within the **past 24 months** must be provided.

**Determination of sum insured/values to be insured:**

\*Sum Insured is restricted to the 3.5 times of annual income of the insured and also linked to the age of the insured:

**Mid term enhancement of Sum Insured:**

It is not desirable to increase the CSI midterm of the policy. However in the case of substantial increase in salary the CSI can be increased subject to submission of:

- Medical Certificate issued by DGCA
- Medical assessment report of DGCA
- TMT& Blood Sugar (PP)
- Declaration by insured that he does not have any knowledge of illness
- Enhanced CSI should not be more than 25% of the CSI in existing Policy

**Excess: First 90 day as time excess from the date of commencement of incapacity.**

## 6. Aviation Fuelling & Re-fuelling Liability

### The Insurance Cover

#### Basic Coverage

The Policy covers bodily injury including death to third party, or damage to property caused by accident arising out of insured's business as suppliers of aviation fuel including the fuelling and or re-fuelling of aircraft at the locations mentioned in the schedule.

#### Exclusions:

- Loss of property of the insured other than aircraft of others while being fuelled or re-fuelled by the insured.
- Bodily injury, property damage caused by any mechanically propelled vehicle on road traffic/any public highway and aircraft, used or operated by or on account of insured.
- Liability for bodily injury to any person who at the time of sustaining such injury is engaged in the service of the insured or acting on his behalf.
- Liability assumed by the insured by agreement under any contract unless such liability would have attached in absence of the agreement.

## 7. Aviation Product & Grounding And other Aviation Liabilities Insurance

**Customers:** Manufacturers, Distributors, Importers and Exporters of aviation products.

### The Insurance Cover:

#### Coverage A

##### Personal injury and property damage liability.

The company will indemnify the insured for their legal liability to pay compensation to third parties including defense cost for death / bodily injury or damage to property including use of loss of property caused by an occurrence arising out of the product hazard

#### Exclusion:

- Any liability for death, bodily injury/sickness of an employee of insured
- Loss of use of any aircraft which has not been destroyed except with respect to an aircraft which has made an emergency landing.
- Legal liability arising from any restriction on or withdrawal from the use of aircraft product not involved in an occurrence.

#### Coverage B:

##### Grounding Liability:

The insurer will indemnify the insured for their legal liability to pay as damages including defense cost for the loss of use of completed aircraft, occurring after delivery to and acceptance by a purchaser or operator of such aircraft for flight operations and caused by a grounding arising out of the product hazard.

#### Exclusion:

- Loss of use of aircraft during maintenance overall or alterations while being used for purpose other than relating to ground.

**Definitions:**

**Product Hazard** means the handling or use of or the existence of any condition in an aircraft product provided such aircraft product has ceased to be in the possession or under the control of the insured.

**Grounding** means a complete and continues withdrawal from all flight operations or use of aircraft in the interest of safety by the authorities of the country where aircraft products will be used or by mutual agreement of the insured and manufacturer /operator of the aircraft.

**Aircraft product** means completed aircraft, airship, missile, helicopters, launch vehicles, gliders.

**Exclusion:**

- Noise and pollution and other perils
- War, hijacking, strike, riot, civil commotion, hostile detonation of any weapon of war, employing atomic and nuclear fission.

**Conditions:**

Notice of occurrence or grounding – When an occurrence or grounding takes place, written notice shall be given by or on behalf of the insured to the policy issuing office.

**Determination of sum insured/values to be insured:**

- Limits of indemnity to be selected by proposer for any “one occurrence” and “any one period”.
- Grounding liability limited to 20% of the above limits.

**REINSURANCE**

Generally speaking, **Hull business** is reinsured through **Quota share** and **Surplus treaties**, whereas **Aviation Liability** business is protected by **Excess of loss treaty**.

**Forces :** Four types of forces required for an aircraft to function properly. Those are Gravity (Downward), Lift (Upward), Drag (Pushes back i.e. resistance of air against motion and Thrust (Forward force).

**Types of Hazards:**

**Moral Hazards** – Outright dishonesty of the airline operator e.g. poor financial condition, laxity of management, poor maintenance numerous and frequent claims.

**Physical Hazards** – Arise out of

- a) The aircraft: Type of aircraft, type and number of engines, use, geographical area and crew experience
- b) The elements of nature: Weather conditions, icing and mountain ranges etc.

**Helicopters** – Deemed to be a bad risk. Hence high premium rates and heavy excess imposed. **Excess is also applicable for total loss, CTL.** Recently low premium is charged considering overall fleet premium.

**Glider** - An aeroplane without any **power plant** installed therein. Prone to TP damage

**Operational Hazards** – Take - off **and landing risks** (Runways defect), **Stalling** (Falling of speed below minimum speed required especially during take - off), **Taxiing risks** (Runway congestion, Control tower and pilot miscalculation), **Flight risks** (Engine failure, ingestion damage etc.), **Night flying risks** (Inexperienced pilot), **Ground risks** (Fire, EQ, flood, theft etc.), **Use risks** ( Low level flying e.g. Agriculture spraying)

**Rating:** The object of rating is to produce a premium commensurate with the risk.

**Hull Own Damage Risks** – Depends upon claim experiences, Pilot training, Type of the aircraft, Night flying, Types of flying (Use of the aircraft), Excess and Method of parking.

**Passenger Liability Risks** – Depends upon max. seating capacity and the limit of liability per passenger.

**Freight Liability Risks** – Depends upon freight revenue earned & limit of liability required.

**Third Party Liability Risks** – Depends upon the types of aircraft and its capacity.

**Product Legal Liability** – Depends upon volume of production, value of aircraft & limit of liability.

**Proposal Form:** The aircraft proposal form is designed to obtain the following information.

- a) **Relating to proposer**, b) **Relating to the aircraft**, c) **Relating to the pilot** and d) **General**

**Important Clauses & Endorsements Used in Aviation Insurance:**

These are approved by the Lloyd's Aviation Underwriters Association, London.

- ❖ **AVN – 3** Aircraft Wreck and salvage clause
- ❖ **AVN – 4** Component Parts Clause
- ❖ **AVN – 5A** Deferred Premiums
- ❖ **AVN – 8** Full Premium Lost Clause
- ❖ **AVN – 14** Limitation of Liability Clause (Joint Assureds)
- ❖ **AVN – 15** Limitation of Liability Clause (Additional Assureds)
- ❖ **AVN – 17A** Addition and Deletion Clause (Hulls)
- ❖ **AVN – 18A** Addition and Deletion Clause (Liabilities)
- ❖ **AVN – 22** Deficit Clause (3 years)
- ❖ **AVN 23** Unlicensed Landing Ground Suitability Clause
- ❖ **AVN 26** Aircraft Laying – up Returns Clause
- ❖ **AVN 34** Passenger Voluntary Settlement Endorsement
- ❖ **AVN 38** **Radioactive Contamination Exclusion Clause**
- ❖ **AVN 46B** **Noise and Pollution and Other Perils Exclusion Clause**
- ❖ **AVN 48B** **War, Hi-jacking and Other Perils Exclusion Clause (Aviation)**
- ❖ **AVN 51** Extended Coverage Endorsement (Aircraft Hulls)
- ❖ **AVN 52E** Extended Coverage Endorsement (Aircraft Liabilities)
- ❖ **AVN 62** Search and Rescue Extension Clause
- ❖ **AVN 67B** Airline Finance / Lease Contract Endorsement Clause
- ❖ **AVN 72** Contract (Rights of Third Parties) Act 1999 Exclusion Clause
- ❖ **AVN 76** Supplementary Payments Clause