

## AIRLINE INSURANCE

Is your airline missing key components of the insurance process?



**A**irline CEOs are missing key components of the insurance process. Many are learning this the hard way, after an accident when it is too late to effect a change. You purchased your insurance to provide coverage for claims, limit exposure and provide resources for you in the event of an accident. Few go into detail on what the provisions of the policy mean and more importantly what is not covered. In no other area of their business would a CEO cede control of protection of the airlines brand to a third party, but you will be asked to allow your insurers to make the hard decisions regarding claims handling and more. Are the people making these decisions better qualified to make them than is the company itself?

### Key points in this issue:

- ◆ **Your Airline's responsibility in the event of a loss**
- ◆ **Accident Management**
- ◆ **CEO involvement in the airline's insurance is key**

## Your Airline's responsibility in the event of a loss



**I**n a loss, the airline is key. You have the most responsibility in providing care for those people directly affected, limiting exposure to criminal prosecution, managing the event and protecting your brand.

Care for those directly affected typically includes medical evacuations; recovery, identification and repatriation of the deceased; recovery and return of personal belongings; and public enquiry centers. In Europe and North America a wide body accident, cost for these services can easily exceed USD \$5,000,000.

However, many of you purchase minimum coverage perhaps not understanding the ramifications. The fact is there should be no difference for the response to an aviation accident, which occurs in Africa or Europe. Unfortunately that is not the case today and this reflects poorly on African Aviation and the insurance industry. I would encourage you to review your policy and understand the limits of the coverage in this area and ensure it is adequate for the response you want to provide.

## Accident Management

**S**ome of those directly affected people are your own employees. Yet in many policies they are not provided the same coverage as your passengers. In the event of catastrophic loss, do you think their families will understand this legal difference? Often airlines undertake to provide the same level of care and services but pay for it out of their own budget. This can quickly add up and in a worse case situation may mean they do not receive the same level of service.



Today many accidents result in criminal investigations with senior airline officials, board members and even mid-level officials being arrested and tried for manslaughter. In some cases it not one criminal investigation, but multiple investigations and prosecutions by different countries. Does your policy provide adequate coverage for criminal defense services, bail, and investigative support for employees, officials and board members? We are advised by leading avia-

tion lawyers that the standard wordings do not provide comprehensive cover for these areas the cost of which can run into multi millions of dollars. Is the airline aware and does it have a contingency plan to deal with criminal prosecutions?

Additionally, it is important to understand the roles of all people involved in the investigations, for almost everyone but the airline concerned it will not be their first accident. However, it is often the airline that is assigned the most fault and faces the criminal prosecution. Not in every case, but most. Chief Executives should ask which other companies and organizations are insured by the same lead insurer? Do they underwrite manufactures; airports air traffic control organizations and component providers? If so, who will take priority? What experience does the selected law firm have in aviation criminal defense?

When it comes to managing the event and protecting reputation, Airlines are behind the other participants in the aviation arena. Too many times they have ceded their authority and direction to others. The result is damaged individual and corporate reputations, higher costs, and at worst the destruction of the airline - just remember Pan Am!

The airline is the client, and the company that survivors, families and governments look to take charge following a loss. Yet we have seen, Chief Executive Officers acquiesce in decision making by third parties against their

inclinations because they are told their coverage is at risk. In one case an airline was told they risked losing coverage days after an accident because of a potential issue with aircraft loading (extremely rare in commercial accidents). In others they are told they have to accept the law firm instructed by the insurer and not have their own counsel. In that situation, whose interests will the lawyer protect first? Other examples include people who make decisions are then not willing to share those decisions with families and communities. Instead they are left to the airline to explain and justify. These are unacceptable partnerships.

Brokers and insurers should without doubt be involved, not only for the experience they bring, but because they are paying for the claims and have a right to be part of the process. But those claims are paid from your premiums, and it is your reputation on the line.



## CEO involvement in the airline's insurance is key



Airline Chief Executives should participate fully in the placing of insurance, insist on their choice of lawyers and emergency service providers, and ask very direct questions about what is covered and what is not, based on a worst case scenario. Arm yourself with information about what happens at a loss. Your

emergency service partner should be able to help you with this. Beware the insurer who overrides your decisions in these areas and if they insist, audit the proposed providers carefully - too many are shell companies relying on a succession of third parties to provide the services they represent they can offer. They may be cheaper but this may be because they cannot themselves provide the services they are selling

Fortunately, many airlines will never have to actually answer these questions, the problem none of us knows which ones will have to and then it is too late.



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