



COMMISSION OF THE EUROPEAN COMMUNITIES

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**COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN
PARLIAMENT AND THE COUNCIL**

**Insurance Requirements for Aircraft Operators in the EU - A Report on the Operation
of Regulation 785/2004**

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1. Introduction

In the not so distant past, Community rules in the field of air carrier licensing merely required air carriers to "be insured to cover liability in case of accidents, in particular in respect of passengers, luggage, cargo, mail and third parties"¹, without setting any criteria or amounts to be observed. In 2002, in order to ensure the transparent, non-discriminatory and harmonised application of minimum insurance requirements, the European Commission proposed a Regulation on insurance requirements for air carriers and aircraft operators.²

On 30 April 2005, Regulation (EC) No 785/2004 of the European Parliament and of the Council on insurance requirements for air carriers and aircraft operators entered into force. Regulation 785/2004 imposes minimum insurance obligations on air carriers and non-commercial aircraft operators in respect of liability for passengers, baggage, cargo and third parties.

The Regulation applies to all air carriers and aircraft operators flying within, into, out of or – to a certain extent – over EU territory, with the exception of State aircraft, model aircraft with a maximum take-off mass (MTOM) of less than 20 kg, foot-launched flying machines, captive balloons, kites and parachutes. The Regulation thus establishes a level playing field for all European and third-country aircraft operators when flying within, to or from the Community.

The basic principle of the Regulation is the requirement for all air carriers and aircraft operators to be insured as regards their aviation-specific liability in respect of passengers, baggage, cargo and third parties; the insured risks include war and terrorism-related risks (Article 4 (1)).

Since the Regulation entered into force, the Commission has convened four meetings of the ad-hoc insurance group with Member States and industry to discuss market developments. It has not been necessary to convene a meeting of the Committee (Market Access) under the procedure provided for in Article 9 of the Regulation with regard to a revision of the minimum insurance requirements or an insurance-market failure.

The Commission launched an open consultation on 21 September 2007 to seek comments from interested parties on the operation of Regulation 785/2004. The Commission received 68

¹ Council Regulation (EEC) No 2407/92, Article 7.

² COM (2002) 521, Proposal for a Regulation of the European Parliament and of the Council on insurance requirements for air carriers and aircraft operators.

contributions from interested parties³ and discussed the responses further in a meeting of the ad-hoc insurance group held on 1 February 2008.

The Commission has prepared this report on the operation of Regulation 785/2004 three years after its entry into force, as provided for in Article 10 (1) of the Regulation.

2. Aviation Insurance and Aviation Liability

Regulation 785/2004 imposes minimum insurance obligations in respect of the liability for passengers, baggage, cargo and third parties. The Regulation makes sure that air carriers and aircraft operators are insured for their aviation-specific liability. However, the Regulation does not change the existing rules on liability as arising from international conventions, Community law and national law of EU Member States. Therefore, a report on the insurance requirements also needs to refer to the existing liability rules.

a) Passenger and Baggage Liability

Global rules on air carrier liability for passengers and their baggage have been laid down by the Convention for the Unification of Certain Rules Relating to International Carriage by Air (Montreal Convention). The European Community has ratified the Montreal Convention and implemented the provisions thereof by means of Regulation (EC) No 889/2002 of the European Parliament and of the Council amending Council Regulation (EC) No 2027/97 on air carrier liability in the event of accidents.

The Montreal Convention provides for a regime of unlimited liability in the case of death or injury of passengers. For damages up to 100,000 SDRs⁴ the air carrier cannot contest claims for compensation; in other words the liability is strict. For damages above that amount, the air carrier is not liable if it can prove that it was not negligent or otherwise at fault. Regulation 785/2004 imposes minimum insurance requirements for liability in respect of passengers of 250,000 SDRs per passenger. These minimum insurance requirements cover not only strict liability, but also legal liability based on tort.

The Montreal Convention limits the liability in relation to baggage delay, destruction, loss or damage to baggage to 1000 SDRs. Regulation 785/2004 accordingly imposes minimum insurance requirements for liability in respect of baggage amounting to 1000 SDRs per passenger.

b) Cargo Liability

Liability in respect of cargo is also covered by the Montreal Convention. The minimum insurance requirements established by Regulation 785/2004 of 17 SDRs per kilo reflect the liability limits of the Montreal Convention.

c) Third-Party Liability

³ A summary of the contributions received was published on 10 January 2008 on http://ec.europa.eu/transport/air_portal/consultation/2007_17_11_en.htm. All non-confidential contributions can be consulted on the same website.

⁴ Special Drawing Rights. 1 SDR = 1.04 EUR [as of 28/03/08].

The Community currently has no harmonised rules on third party liability. Regulation 785/2004 imposes minimum insurance requirements that correspond to the maximum take-off mass (MTOM) of aircraft specified in the certificate of airworthiness. This approach reflects the relationship between the weight and the potential third party damage that can be caused by each type of aircraft. Several Member States have rules under which aircraft operators' liability vis-à-vis third parties is based on proven tort arising from negligence or other wrongful behaviour. Other Member States apply the principle of strict liability – in some cases unlimited, in other cases limited to certain amounts.

However, considerable efforts are being made at a global level to establish harmonised, third party liability rules for aircraft operators. A Draft Convention on Compensation for Damage Caused by Aircraft to Third Parties, in Case of Unlawful Interference is being discussed in the ICAO Legal Committee at the time of publishing this report. The draft convention, as proposed to the ICAO Legal Committee, would limit aircraft operators' liability in respect of third parties in cases of unlawful interference to the amounts that need to be insured under Article 7 of Regulation 785/2004, based on the same classification of aircraft by weight category.

When the Commission proposed the Regulation on insurance requirements, it was of the opinion "that there are no sufficient grounds demonstrating the need for introduction of strict liability of air carriers vis-à-vis third parties for risks linked to war and terrorism acts"⁵. However, the consultation on the operation of Regulation 785/2004 showed that some stakeholders and Member States could see benefits in establishing harmonised third-party liability rules in order to ensure a level playing field.

The Commission appreciates that it is the view of many air carriers and aircraft operators that the risk of terrorist attacks should be borne by States and not by aircraft operators. However, the Montreal Convention does not exempt air carriers from their passenger liability in the event of terrorist acts. Under the national law of most Member States, aircraft operators are liable for third-party damage caused by terrorist acts. Unless the liability rules are changed, there is no possibility to remove the requirement to have insurance cover against terrorism. If the draft Convention on Compensation for Damage Caused by Aircraft to Third Parties in case of Unlawful Interference does not succeed in establishing global rules, the Commission will review the situation and might propose a harmonisation of third-party liability rules within the Community.

3. Operation of Regulation 785/2004

In the three years since it entered into force, the Regulation has been effective in ensuring insurance coverage of all aircraft operators flying within, to or from the Community. There have been very few cases of aircraft operators not complying with the insurance requirements. Civil aviation authorities from Member States reported that some third-country carriers – usually charter carriers from Central Asia – suspended their operations after the entry into force of the Regulation. The insurance market provides all air carriers and aircraft operators with the coverage required by the Regulation.

The responses to the consultation showed that the Regulation is clear and straightforward to apply. With very few exceptions, air carriers and aircraft operators demonstrate their

⁵ COM (2002) 521 of 24.9.2002, p. 6.

compliance with the insurance requirements laid down in Article 5 (1) by depositing an insurance certificate. If third-country air carriers and aircraft operators do not provide evidence of insurance, Member States refuse them the right to land pursuant to Article 8(6). This sanction has proved itself to be very effective and dissuasive, and has deterred some third-country carriers without proper insurance coverage from flying into the Community. As far as Community air carriers and aircraft operators are concerned, there have been extremely few cases where Member States have needed to apply sanctions. This is an indication that the minimum insurance requirements as established by the Regulation are clear and proportionate to achieving the objective.

Member States make limited use of the possibility under Article 8(2) to require evidence of valid insurance from air carriers and aircraft operators flying over their territory. Many Member States confine themselves to requiring evidence of insurance only from air carriers flying over their territory with dangerous goods.

Some Member States have used the option provided for in Article 6(1) of the Regulation to set a lower level of minimum insurance cover in respect of non-commercial operations by aircraft with an MTOM of less than 2,700 kg, provided that such cover is at least 100,000 SDR per passenger. As a result, different minimum insurance requirements for passenger liability currently apply to non-commercial operations by light aircraft. Some Member States require insurance of 100,000 SDR per passenger; other Member States require 250,000 SDR per passenger. Occasionally, this has led to difficulties for operators of cross-border light general aviation aircraft. However, there is no evidence that this differentiation has resulted in impediments to the free movement of persons. Therefore, the Commission services do not believe that it is necessary to amend the Regulation in order to harmonise the passenger insurance requirements for such non-commercial operations with light aircraft.

Nevertheless, a number of issues connected with the implementation of the Regulation by national authorities seem to need further clarification. The relevant issues are:

- The insurance certificate

The responses by stakeholders and aviation authorities revealed widespread support for a standard insurance certificate. A standard format would simplify procedures, facilitate regulatory oversight, create clarity and reduce the regulatory burden for aircraft operators. However, the Commission services do not believe that it is necessary to include a standard insurance certificate in the legislation. A legally binding certificate would reduce the flexibility to adapt to new circumstances. It should be noted that the insurance market has already developed formats which are widely accepted, both for commercial air carriers and for general aviation operators. These formats are appropriate to demonstrate compliance with the requirements of Regulation 785/2004. Model insurance certificates developed by the London Market Insurance Brokers Committee and the International Union of Aviation Insurers are included in the Annex to this report. The Commission welcomes these efforts by the insurance market to facilitate the operation of Regulation 785/2004. Currently, two Member States have specific national requirements for the insurance certificate. The Commission will encourage further discussions between the industry and Member States to further improve the model certificates in order to ensure acceptance in all 27 Member States.

- The provision of insurance certificates

Some Member States have questioned the possibility for insurance certificates to be issued by insurance brokers. It is common practice in aviation insurance to have an aircraft insured by a number of insurers in order to spread the risks. As a result, insurance certificates are often issued by insurance brokers rather than by the insurance underwriters. Regulation 785/2004 requires air carriers and aircraft operators to demonstrate compliance with the insurance requirements set out in the Regulation by the deposit of an insurance certificate. For the purposes of the Regulation, it is not relevant whether such an insurance certificate is issued by the insurers themselves or by an insurance broker or agent on behalf of the insurer.

- The relationship between the insurance certificate and the terms and conditions of the insurance policy

Regulation 785/2004 imposes insurance requirements on air carriers and aircraft operators. The Regulation does not intervene in the contractual arrangements between aircraft operators and insurance underwriters. However, in so far as insurance certificates are often subject to the terms, conditions, limitations and exclusions agreed in the insurance policy, the aviation authorities may need evidence that those terms and conditions do not affect the aircraft operator's compliance with the minimum insurance requirements (e.g. by excluding terrorism risks). Beyond this, an examination of the terms and conditions by the aviation authorities is not necessary in order to ensure compliance with the Regulation.

4. Developments on the Aviation Insurance Market since the Regulation entered into force

Regulation 785/2004 applies to aircraft operators, not to aviation insurers. Nevertheless, developments on the aviation insurance market provide the context which determines the economic impact of insurance requirements on aircraft operators.

When the Commission proposed a Regulation on insurance requirements for air carriers and aircraft operators in 2002, the market for aviation insurance had been seriously affected by the catastrophic events of 9/11. Insurance costs had increased substantially. The withdrawal of insurance cover for acts of war and terrorism after the terrorist attacks of 9/11 raised serious concerns about the insurance cover of air carriers and aircraft operators.⁶

Since the Regulation entered into force there has been a return to soft market conditions. New capacity in the airline insurance market has increased competition, which in its turn has driven down the cost of aviation insurance. In addition, the safety record of air transport, with its relatively low loss levels, has further contributed to a significant reduction in insurance premiums since 2004.

Between 2004 and September 2006, renewal premiums were reduced by 5-10% per year. In October 2006, the renewal season saw premiums reduced by more than 20%, bringing the average change in premiums in 2006 to -16%.⁷ In the first half of 2007, renewal premiums fell again by about 20%. The renewal season at the end of 2007 saw premium reductions of about 11%.⁸ It is worth noting that these premium reductions coincided with a higher

⁶ COM (2001) 574 of 10.10.2001, The repercussions of the terrorist attacks in the United States on the air transport industry, p.4.-5. COM (2002) 320 of 2.7.2002, Communication on Insurance in the Air Transport sector following the terrorist attacks of 11 September 2001 in the United States, p.2.

⁷ Source: Aon Airline Insurance Market Review 2006.

⁸ Source: Willis Global Aviation Bulletin; Aon Airline Insurance Market Review 2007.

exposure due to the increase in both airline passenger numbers and aircraft fleet values. Total lead hull and liability premiums have fallen from \$3.4 bn in 2002 to \$1.5 bn in 2007. For European air carriers, total hull and liability premiums fell below \$500 million in 2006.⁹

At the time when the Regulation was adopted, the Commission was investigating the compatibility of certain practices on the airline insurance market with EC competition rules. The inquiry revealed that structures for cooperation among aviation insurers were preventing the market from working as well as it should. In March 2005, in order to create safeguards against excessive cooperation, European aviation insurers undertook to reform their practices.¹⁰ The Aviation Insurance Clauses Group (AICG) was established in June 2005 by the Lloyd's Market Association and the International Underwriting Association of London. The AICG establishes non-binding standard wordings, clauses and variants for use in aviation insurance policies. Users are consulted on proposed clauses and can propose variant clauses themselves. The minutes of the AICG meetings and draft wordings and clauses are published¹¹. This has significantly increased transparency for air carriers. It has also made it easier for the Commission and national authorities to monitor the insurance market.

In the aftermath of 9/11, aviation insurers created an Excess Third Party War Liability market, writing back risks of war and terrorism.¹² These Excess Third Party Liability premiums have declined significantly, from \$1.7 bn in 2001 to \$0.13 bn in 2007. The lack of losses and the market conditions have led to significant falls in insurance costs. It seems that excess third party liability premiums have decreased by about 40% per passenger in 2007.¹³

The Aviation Insurance Clauses Group (AICG) reviewed the War, Hi-jacking and Other Perils Exclusion Clause and the related write-back clauses. In August 2006, the Aviation Insurance Clauses Group published new exclusion clauses and liability coverage write-back clauses.¹⁴ The exclusion clause AVN48C as written back by the extension clause AVN52H would exclude all WMD perils from the insurance policy. The variant exclusion clause AVN48D as written back by the extension clause AVN52K would cover a limited level of WMD perils, other than nuclear. After consultation with Member States, the Commission informed insurance underwriters in January 2007 that excluding all WMD perils from insurance policy would leave aircraft operators in breach of the minimum insurance requirements laid down in the Regulation.

Since they were published by the AICG, these clauses have not yet been used in aviation insurance contracts. Given the current market conditions, the market is not expected to introduce the new clauses in the short term. Currently, there are no indications that the market is failing to provide sufficient insurance coverage for WMD perils. The Commission will continue to monitor developments closely, both to ensure compliance with the Regulation and to enable aircraft operators to operate.

⁹ Source: Aon Airline Insurance Market Review 2007.

¹⁰ IP/05/361 of 23 March 2005: "Competition: aviation insurers commit to reforms to promote competition and transparency"

¹¹ www.aicg.co.uk

¹² The Regulation explicitly includes terrorism risks in the minimum insurance requirements. Aviation insurance policies exclude war, hi-jacking and terrorism risks with a "war, hi-jacking and other perils exclusion clause". Such risks are, however, written back with an extended coverage endorsement for aviation liabilities.

¹³ Source: Aon Airline Insurance Market Review 2007.

¹⁴ Clauses published on www.aicg.co.uk.

5. Economic Impact on Air Carriers and Aircraft Operators

As a logical consequence of harmonised requirements, the economic impact has been greatest for those aircraft operators that were not subject to stringent minimum insurance requirements before the entry into force of the Regulation. It had only a limited impact on those operators that had already purchased insurance coverage above the minimum requirements of the Regulation prior to its entry into force.

For most air carriers, the economic impact of the Regulation was limited. Major air carriers purchase insurance coverage exceeding the minimum requirements for reasons of corporate risk management. Aircraft lessors usually request higher insurance coverage than that required by the Regulation. Therefore, air carriers leasing aircraft carry insurance significantly above the minimum requirements. Even air carriers operating small aircraft usually hold insurance cover in excess of the minimum requirements. Given the market conditions, insurance costs are currently a relatively minor cost factor for air carriers. After 9/11, insurance costs increased to between \$1.30 and \$1.85 per passenger.¹⁵ The average insurance cost for the EU airline industry was \$0.54 per passenger per flight in 2007.¹⁶

Concerning the economic impact on general aviation, there has been some variation between Member States. Prior to the entry into force of the Regulation, some Member States required that non-commercial aircraft operators should already hold similar or even higher insurance coverage. In most Member States, general aviation has not been seriously affected. In general, the initial impact after entry into force of the Regulation was greater, but market conditions on the aviation insurance market have led to significant premium reductions in recent years. In some Member States, however, and in particular in some new Member States, insurance costs for non-commercial aircraft operators increased substantially as a result of the Regulation. Three Member States reported cost increases of more than 100%. Some operators of light aircraft apparently have been affected by substantial cost increases, e.g. gliders, hot air balloons, ultra-light float planes. The same applies to operators of heavy heritage aircraft (such as the "Sally B" B-17).

The Regulation meant a steep increase in insurance requirements for certain heritage aircraft which have a high certified MTOM. As a consequence, there have been some concerns that the Regulation would lead to the grounding of heavy heritage aircraft. According to operators of heritage aircraft the risks of third-party damage are substantially lower than for modern aircraft of the same weight category, due to the low utilisation and the operational restrictions on such aircraft. However, many of the responses received in the consultation indicate that the insurance market is taking these specific characteristics properly into account. While the weight categories of the Regulation might not be perfectly suited to heavy heritage aircraft, it would be difficult to justify an exemption from the general rules. The experience of Member States with a large fleet of heritage aircraft, particularly the United Kingdom, tends to confirm that the requirements of Regulation 785/2004 are appropriate for any aircraft, whether modern or historic. A recent example of a restored Vulcan bomber with an MTOM of 79,379 kg showed that the insurance market is able to provide flexible solutions to heritage aircraft operators in line with the requirements of the Regulation.¹⁷ Given the track record of market-

¹⁵ COM (2002) 320, p.4.

¹⁶ Source: Aon Airline Insurance Market Review 2007.

¹⁷ After the entry into force of Regulation 785/2004, the Commission has also actively encouraged a market-based solution for the "Sally B".

based solutions, the Commission believes that there is currently no evidence that a revision of the Regulation would be needed. Insurance brokers and underwriters are able to assess appropriately the third-party damage risks of heritage aircraft operations and to provide market-based solutions for heritage aircraft operators. For the time being, therefore, the Commission does not intend to introduce complex exemption rules for a very limited number of aircraft operators, but will rely on the market to provide flexible solutions. Nevertheless, the Commission will continue to monitor this issue closely.

6. Related issues beyond the scope of Regulation 785/2004

Regulation 785/2004 requires aircraft operators to be insured for their aviation-specific liability in respect of liability for passengers, baggage, cargo and third parties. Minimum insurance cover for mail liability is set by national administrations. The general principle that air carriers need to be insured for their mail liability is included in the Community licensing rules.¹⁸

By ensuring that air carriers hold appropriate insurance cover for their liability for passengers and baggage the Regulation has contributed to a high degree of passenger protection in the EU. Recent cases have indicated that passengers can face difficulties in the case of an airline failure, e.g. bankruptcy or the revocation of the operating licence of an air carrier. In this context, the Commission has taken advantage of the consultation on the operation of Regulation 785/2004 to explore possible means of improving the protection of passengers in such cases. From the responses received in the consultation, there is not a clear-cut case for additional insurance requirements to protect passengers against the eventuality of insolvency of an air carrier. While insurance for such cases is available on the market, at least in some Member States, this is specialised insurance for financial failure which would not be offered in the context of aviation liability insurance. Many stakeholders and national authorities consider close monitoring of the financial fitness of licensed air carriers – as improved in the revision of the third package¹⁹ – to be the most appropriate tool. The Commission is aware of the potential difficulties for passengers and is further evaluating all aspects linked to this issue, including possible options.

7. Conclusions

The Commission is aware that in some Member States certain categories of aircraft operators have been facing a substantial increase in insurance costs since the entry into force of the Regulation. However, the Commission does not see evidence of a general problem with the Regulation. It was the intention of the Council and the Parliament to provide a level playing field and to establish harmonised insurance requirements for all aircraft operators, commercial and non-commercial, European and foreign, in order to guarantee adequate compensation for passengers and third-party victims. Responses have confirmed that this objective continues to be valid and that re-introducing the possibility of national rules (e.g. for non-commercial operations of light aircraft) would be counterproductive.

Such harmonisation, by its very nature, affects operators in some Member States more than others. However, in the majority of Member States the minimum requirements of the

¹⁸ Regulation 2407/92 on the licensing of air carriers and Proposal for a Regulation on common rules for the operation of air transport services in the Community.

¹⁹ Proposal for a Regulation on common rules for the operation of air transport services in the Community. See Commission Press Release IP/07/1831 of 30 November 2007.

Regulation have not caused any substantial problems. Therefore, in spite of the concerns expressed by some Member States – and by the affected aircraft operators – the insurance requirements established by the Regulation cannot be considered as inappropriately high for certain categories, such as light aircraft²⁰ In this context, it should also be noted that the minimum insurance requirements of the Regulation for aircraft with an MTOM below 2,700 kg are much lower than originally proposed by the Commission.

In the three years since its entry into force, Regulation 785/2004 has effectively fulfilled the objective of ensuring appropriate insurance coverage for passenger, baggage, cargo and third-party liabilities of all aircraft operators flying in the Community. There is currently no evidence that changes to the Regulation would be necessary. The Commission believes that the clarifications in this report will further improve the operation of the Regulation, and they will continue to monitor the implementation of the Regulation closely, together with Member States and stakeholders, in particular in the framework of the insurance group.

²⁰ As confirmed implicitly by the Council Conclusions of 7/8 April 2008 on the Commission Communication on an Agenda for a Sustainable Future in General and Business Aviation.

ANNEX A) Model Insurance Certificate for air carriers

Certificate of Insurance

[**Broker's Letterhead**]

Aviation

[Address]

tel: [.....]

fax: [.....]

th February 2005

TO WHOM IT MAY CONCERN

[**reference**]

THIS IS TO CERTIFY that we, in our capacity as Insurance Brokers, have placed Insurance with Lloyds Underwriters and Certain Insurance Companies who have authorised us to issue this Certificate on their behalf in the name of [**Insured name**] covering their fleet of aircraft against the following risks and up to the limits stated whilst operating anywhere in the World:

AIRCRAFT THIRD PARTY, PASSENGER (INCLUDING BAGGAGE AND PERSONAL EFFECTS), CARGO, MAIL AND AIRLINE AVIATION GENERAL THIRD PARTY LEGAL LIABILITY for a Combined Single Limit (Bodily Injury/Property Damage) of at least USD[.....],000,000 any one occurrence, any one aircraft and in the annual aggregate in respect of products liability.

The coverage provided includes WAR, TERRORISM AND ALLIED PERILS in accordance with the Extended Coverage Endorsement AVN52E deleting all paragraphs other than (b) of the War, Hi-jacking and Other Perils Exclusion Clause AVN48B, but Aircraft Third Party, Cargo and Mail whilst not on board an aircraft and Airline Aviation General Third Party Legal Liability is subject to an overall sub-limit of US\$[.....],000,000 any one occurrence and in the annual aggregate for all aircraft and aviation operations combined . This sub-limit is part of the above Combined Single Limit and not addition thereto and does not apply to Cargo and Mail whilst on board an aircraft, Passengers and Passenger Baggage Legal Liability.

Furthermore, a separate EXCESS THIRD PARTY WAR, TERRORISM AND ALLIED PERILS LEGAL LIABILITY insurance has been placed to provide a limit of

US\$[...],000,000 any one occurrence and in the annual aggregate for all aircraft and aviation operations combined excess of the sub-limit above for an overall MAXIMUM TOTAL LIMIT for THIRD PARTY WAR , TERRORISM AND ALLIED PERILS LEGAL LIABILITY of US\$[.....],000,000 over both insurances at inception.

IT IS FURTHER CERTIFIED THAT the amounts of insurance stated above are in accordance with the minimum insurance cover requirements of Articles 6 and 7 of Regulation (EC) no 785/2004 based on (a) the rates of exchange applicable to Special Drawing Rights at inception of the insurances, (b) third party war, terrorism and allied perils being insured on an aggregate basis as above, and (c) it being understood that such aggregate limits may be reduced or exhausted during the policy period by virtue of claims made against aircraft or other operational interest covered by the insurances.

Subject to the coverage, terms, conditions, limitations, exclusions, excesses and cancellation provisions of the relative Policies, Numbered [.....] and [.....], which are in force from [.....] until [.....].

[Broker]

AUTHORISED SIGNATORY

SEVERAL LIABILITY NOTICE - The subscribing insurers' obligations under policies to which they subscribe are several and not joint and are limited solely to the extent of their individual subscriptions. The subscribing insurers are not responsible for the subscription of any co-subscribing insurer who for any reason does not satisfy all or part of its obligations.

ANNEX B) Model Insurance Certificate for aircraft operators²¹

Certificate Rationale

The CAA is conscious of the varying styles of certificate issued by insurance companies worldwide.

The aim of this certificate is to provide a consistent, common framework to enable the level of insurance cover to be checked by the CAA's staff (many of whom will not be insurance specialists).

The use of such a common certificate will hopefully reduce the potential risk of an aircraft being detained. The certificate is broken in to two parts:

- 1) A "Regulatory Box" in to which details of the aircraft and the level of cover required to meet the requirements of Council Regulation 285/2004 will be outlined.
- 2) A second section into which requirements specific to a particular policy can be detailed by the broker/underwriter as required. Note this second section cannot be inconsistent with the Regulatory Box.

The CAA having had expert input from the insurance industry and after a period of consultation believes that the model certificate attached will enable it to enforce Council Regulation 785/2004. The certificate is not however approved by the CAA and its ownership and responsibility for its accuracy remains with the insurance company/broker concerned.

Airline Licensing & Consumer Issues

Civil Aviation Authority

London

March 2005

²¹ This model certificate for aircraft operators has been developed by the London Insurance Market Brokers Committee in collaboration with the UK Civil Aviation Authority.

ABC CERTIFICATE OF AVIATION INSURANCE

TO WHOM IT MAY CONCERN 1 January 2005

This is to Certify that	G-XXXX	(Aircraft type)	[MTOM xxxxx kgs]
has declared a maximum of (XXX) passengers to be carried and is engaged in commercial/non-commercial* operations and is issued on behalf of	Certain Insurance Companies and/or Lloyd's Underwriters. (complete as applicable)-		
Policy Number:	MU04YYYYYY		
In the name(s) of	e.g. Joe Bloggs Aviation and/or Associated and/or subsidiary Companies and/or Agents and/or Employees for their respective rights and interests.		
For the period:	(complete as applicable) e.g. 00.01 GMT 1 January 2005 to midnight GMT 1 January 2006		
against all risks in flight or on the ground anywhere in (complete as applicable) e.g. EUROPE, THE MEDITERRANEAN, CANARY ISLANDS AND COUNTRIES BORDERING THE MEDITERRANEAN			
and coverage includes LEGAL LIABILITY to THIRD PARTIES and PASSENGERS up to the following Limit of Indemnity:			
Part A COMBINED SINGLE LIMIT (PASSENGER, PASSENGER BAGGAGE*, CARGO, MAIL & THIRD PARTY LIABILITY) EXCLUDING WAR, TERRORISM AND ALLIED PERILS:	£[] ,000,000 any one occurrence, any one aircraft and in the annual aggregate in respect of product liability <i>Edit Note product liability may not be applicable for all policies and reference to it maybe deleted</i>		
Part B COMBINED SINGLE LIMIT (PASSENGER, PASSENGER BAGGAGE*, CARGO, MAIL & THIRD PARTY LIABILITY) WAR, TERRORISM AND ALLIED PERILS ONLY**:	The limit shown in Part A above applies except that within such limit THIRD PARTY LIABILITY including off aircraft Cargo and Mail is limited to £[] ,000,000 any one occurrence and in the annual aggregate.		
Part C <i>Edit Note this paragraph will be inserted only when there is an additional policy</i> Furthermore a separate EXCESS WAR, TERRORISM AND ALLIED PERILS THIRD PARTY LIABILITY insurance including off aircraft Cargo and Mail been placed for:	£[] ,000,000 any one occurrence and in the annual aggregate		
Part D The MAXIMUM TOTAL LEVEL OF WAR TERRORISM AND ALLIED PERILS THIRD PARTY LIABILITY insurance available is	£[Part B + C],000,000 any one occurrence and in the annual aggregate.		
The amounts of insurance stated herein are in accordance with the minimum insurance cover requirements of Articles 6 and 7 of Regulation (EC) No 785/2004 based on:			
(a) The rates of exchange applicable to Special Drawing Rights at inception of the insurances,			
(b) Third party war, terrorism and allied perils being insured on an aggregate basis as above, as permissible in accordance with Article 7.1 of EC Regulation 785/2004.			
(c) It being understood that such aggregate limits may be reduced or exhausted during the policy period by virtue of claims made against aircraft or other operational interest covered by the insurances.			
Signed:for and on behalf of ABC Limited			
Date:.....			
*Delete as appropriate			
~ The CAA reserves its right under Section 84 of the Civil Aviation Act 1982 to request full list of insurers.			
** Cover is in accordance with Extended Coverage Endorsement AVN52E writing back of all paragraphs other than (b) of War Hijacking and other Perils Exclusion Clause AVN43B.			
Subject to the policy terms, conditions, limitations exclusions and deductibles			

ANNEX C) Draft Model Insurance Certificate for general aviation²²

Certificate of Insurance

Policy No.

Aviation Insurance

Insured	Issuing Date																																		
	Period of Insurance																																		
	Type of Aircraft	MTOM Kg																																	
	Reg. Mark	Number of Passengers																																	
Territorial Scope of Coverage																																			
EU Regulation EC 785/2004 on Liability Limits Third Party and Passenger Legal Liability Insurance The coverage is in accordance with EU regulation (EC) 785/2004 for Third Party and Passenger Legal Liability. Minimum limits of indemnity, including acts of war, terrorism, hijacking, acts of sabotage, unlawful seizure of aircraft and civil commotion, in the regulation are: Passenger Legal Liability SDR 250.000 per passenger Third Party Legal Liability <table border="0"> <thead> <tr> <th>Category</th> <th>MTOM (kg)</th> <th>Limits of indemnity</th> </tr> </thead> <tbody> <tr><td>1</td><td>< 500</td><td>SDR 750.000</td></tr> <tr><td>2</td><td>< 1.000</td><td>SDR 1.500.000</td></tr> <tr><td>3</td><td>< 2.700</td><td>SDR 3.000.000</td></tr> <tr><td>4</td><td>< 6.000</td><td>SDR 7.000.000</td></tr> <tr><td>5</td><td>< 12.000</td><td>SDR 18.000.000</td></tr> <tr><td>6</td><td>< 25.000</td><td>SDR 80.000.000</td></tr> <tr><td>7</td><td>< 50.000</td><td>SDR 150.000.000</td></tr> <tr><td>8</td><td>< 200.000</td><td>SDR 300.000.000</td></tr> <tr><td>9</td><td>< 500.0000</td><td>SDR 500.000.000</td></tr> <tr><td>10</td><td>≥ 500.0000</td><td>SDR 700.000.000</td></tr> </tbody> </table> In addition for commercial operators: Baggage SDR 1.000 per passenger Cargo SDR 17 per kilogram Delay SDR 4150		Category	MTOM (kg)	Limits of indemnity	1	< 500	SDR 750.000	2	< 1.000	SDR 1.500.000	3	< 2.700	SDR 3.000.000	4	< 6.000	SDR 7.000.000	5	< 12.000	SDR 18.000.000	6	< 25.000	SDR 80.000.000	7	< 50.000	SDR 150.000.000	8	< 200.000	SDR 300.000.000	9	< 500.0000	SDR 500.000.000	10	≥ 500.0000	SDR 700.000.000	Sum insured Combined Single Limit Bodily Injury/Property Damage/ Passenger Legal Liability any one accident, in all Third Party Legal Liability Bodily Injury, any one accident, in all Property Damage, any one accident, in all Combined Single Limit Bodily Injury/Property Damage any one accident, in all Passenger Legal Liability Bodily Injury, each passenger each occurrence
Category	MTOM (kg)	Limits of indemnity																																	
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9	< 500.0000	SDR 500.000.000																																	
10	≥ 500.0000	SDR 700.000.000																																	

To whom it may concern

Certificate of Insurance

This is to certify that an insurance contract has been signed between us and the insured named above in accordance with information given in the schedule.

The insurance is valid for the owner and/or user of the insured aircraft.

A condition for the validity of the insurance contract is that premium instalments are duly paid.

Subject to the terms, definitions, conditions, limitations and exclusions of the Policy.

²² This draft model certificate for aircraft operators has been developed by the International Union of Aviation Insurers. It is a coversheet demonstrating compliance with the requirements Regulation 785/2004 under which individual States could affix any additional national requirements where necessary.