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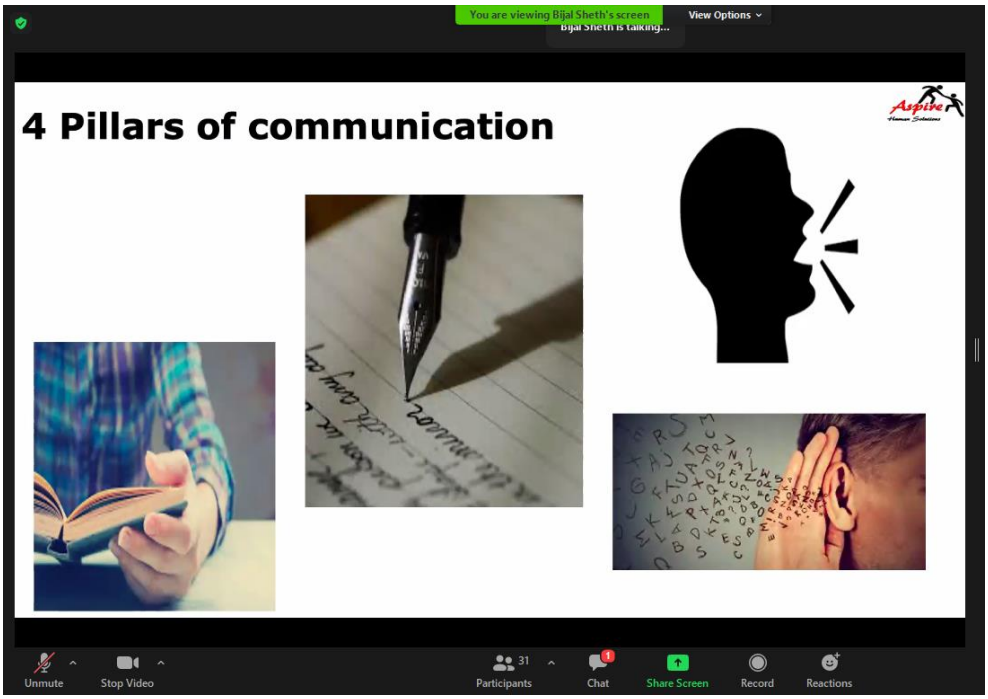
NEWS AT J.B.BODA



Communication skills training conducted for our pan India – Group company colleagues, divided into four virtual sessions in the month of Dec-2020

PRIME STORY

The Impacts of Insurance on Airline Ground Service

Insurance is an important factor for ground service providers to consider. This is certainly true in the Middle East region where numerous ground handling companies are assisting national carriers, regional airlines and even smaller operators.

Insurance considerations are tightly related to the contractual arrangements between an airline and a ground service provider. These arrangements are commonly established in accordance with the IATA Standard Ground Handling Agreement (SGHA). Among the several aspects considered by the IATA SGHA are provisions made for specific tasks that must be accomplished, in addition to the ways safety risk aspects should be treated. The risk considerations in the SGHA have to do mostly with physical damage.

“What this wording means in practice is that only direct repair cost is covered. But depending on the individual negotiations, the parties involved can decide on what is included or excluded in case of aircraft ground damage events,” says Ivar Busk, owner of Aviation Care Consulting. “Before 1998, the IATA SGHA did somehow indemnify the ground handler for all responsibility unless it could be proven that an incident had been caused by gross negligence. After 1998, the wording was changed and the ground handler was responsible only for being "negligent." At the same time, a cap was put on the amount to be paid, i.e. $750,000 (USD) for narrow body aircraft and $1 million for wide body aircraft. Any amount above these caps is under the airline’s hull insurance program.” Insurers are very much focused on the physical risks in the airside environment.

“This is a high-risk environment with substantial assets in close proximity with each other surrounded by vehicle traffic focused on achieving efficient and quick turnarounds. Aircraft are getting more and more expensive to repair, especially the newer composite structures, not forgetting the downtime cost to the airline,” says an underwriting executive. “A lot of the attritional losses incurred by the ground service providers come from these physical damage claims.” Another area of concern for insurers, which can lead to substantial settlements, are bodily injury claims on the ramp.

Moreover, insurers of ground service providers (GSPs) are focused on security risks, especially in regard to passenger and baggage handling. The terrorism threat is very much part of our lives and aviation has always been a target area. Finally, contractual language can have a massive bearing on the exposure assumed by GSPs and, it cannot be highlighted enough how important it is to utilize the SGHA Article 8 language on liability and indemnity.

When it comes to risk in ground handling, it is very much dependent on the tasks to be performed. The riskiest and most expensive task is the towing operation followed by de-icing. After the outbreak of COVID-19, the amount of ground operations has reduced significantly and consequently the cases involving insurance.

Insurers are sympathetic to their clients' predicament but must also weigh up their own issues. It may come as a surprise, but the aviation insurance business has been loss making for the last six years on the back of many years of premium reductions. Performance of the GSP book has been particularly poor by comparison to other sub classes of aviation. In the last two years, insurers have started a long-term process of rising prices to offset these losses. The pandemic in 2020 has not stopped this process.

In a number of instances educating the client in areas of improvement could be effective. COVID-19 has seen more focus on the ramp with consultants looking at a much more congested airside and training issues as staff come back to work after a long period of furlough. Often GSPs are working with less staff, creating pressure. Use of front and back cameras and/or parking sensors on ground service equipment greatly aids the operator, and also helps in litigation or disputes in the event of an incident.

During the last 10-15 years there have been several initiatives for safety management system (SMS), playing a positive role in safer operations. The introduction of the IATA Ground Operations Manual (IGOM) meant to ensure a common standard for various operations instead of having all the airlines with their own individual procedures, has helped. But in the end, the insurance premium depends on the loss rate as observed over a number of years, normally a five-year period.

Another aspect that is important to measure safety is how the handling company is connected to the airline. It is often the case that a ground handling company which is a direct part of an airline has a better motivation to safety than a pure ground handling company. The competition between several independent ground handling companies can influence the prices and the quality. And to the future of ground handling insurance, prediction could be difficult.

It is estimated that the considerations related to automation and training will have a major impact. In addition, better screening of new employees will probably raise the status of ramp handling personnel. Other points like the increasing sophistication of terrorist groups infiltrating and targeting aviation, the rise of Nuclear Verdicts in the US, the increasing automation on the ramp, autonomous tugs, and electric taxiing systems on aircraft – to name a few. Aviation insurance will adapt as the demands and requirements of the GSP community changes.

Source: Aviationpros.com

NATIONAL

Mandating insurance not the way forward to boost penetration

Despite the fact that there is massive under-penetration in the county as far as the insurance is concerned, the regulator is of the view that the solution to this does not lie in mandating insurance because a stage has been reached where insurance should be a product on "demand". It cannot be forced upon consumers by the industry or other stakeholders.

There has been a demand for mandating title insurance, drone insurance, and household insurance. Motor third party insurance, which is mandated by law is an example, but still there are huge issues of under insurance. The regulator is now encouraging states to share the details of un-insured vehicles so that reminders and messages can be sent to vehicle owners. The health insurance industry needs to address the underlying concern of trust deficit. It is in this context that the regulator has tried to standardise most of the areas of concern in health insurance, especially definitions, pre-existing diseases, widening the norms of portability and migration. Furthermore, the regulator has brought in many standardised health products such as Arogya Sanjeevani, two covid specific products – Corona Kavach and Corona Rakshak. It has put out draft regulations for a standard product for vector borne diseases. Also, a standard term product – Saral Jeevan Bima – is also in the works. The regulator is also working on some other standard term products.

While the Irdai is trying to better consumer experience by bringing in standard products, it is also cognizant of the issues insurers are facing from service providers. There is a lack of clarity on charges for treatment. During COVID period, there were numerous claims of non-acceptance of cashless claims and sometimes of huge charges which were completely disproportionate to the treatment. All stakeholders should work together and start with some degree of standardization of charges at least for common procedures. The industry and the service providers have been told that they should work towards standardization which will immensely boost the health insurance industry.

Covid-19 has posed serious implications on the insurance sector, especially life, given that it entailed human interaction and building trust. In the absence of physical intervention, the insurance suffered a great deal due to loss of premiums. But, Chairman-Life Insurance Corporation (LIC) feels, due to the pandemic increased customer awareness is something that will push the traditional life business such as term and endowment positively.

Customer expectation itself may turn out to be a risk for insurers because of the kind of products the customer is looking at, the kind of service standards they are looking at, particularly the millennial customers. So, insurers have to offer convenience, simplicity, greater transparency ensuring that the insurance experience of the customer matches their lifestyle and needs.

Source: Business Standard

GLOBAL

Aviation Reinsurance rates soar by up to 250%

Aviation reinsurance rates rose by up to 250 % at the key Jan. 1 renewal date, with the market still reeling from the impact of Boeing 737 MAX crashes two years ago. The 737 MAX resumed commercial flights, following a 20-month safety ban after two fatal crashes in five months killed 346 people.

Insurers and reinsurers face claims from the crashes relating to hull and product liability that could amount to more than $2 billion, a large sum in a relatively small insurance sector.

Aviation underwriters are also suffering from lower premiums due to worldwide lockdowns and travel bans, as insurance contracts are often negotiated based on the amount of time planes spend in the air. Reinsurers, which share the burden of large risks with insurers in return for part of the premium, are also seeing rate rises in other sectors after years of falls.

Property and casualty reinsurance premiums are up by 25-30 % for the riskiest areas of business, the report showed.

Analysts said the report showed a reinsurance hard market - in which premium rates are rising - was "underway," highlighting gains in US property, global casualty and specialty lines such as trade credit and political risk, as well as aviation. But rates are not rising as much as reinsurers had hoped, despite the coronavirus pandemic.

Insurers have themselves benefited from higher rates this year as well as lower claims in areas such as motor, giving them a strong hand in contract negotiations.

Reinsurers felt quite bullish and feeling, 'this is our moment', adding that they had nevertheless achieved at least rate stability and some rate increases.

The biggest disagreements between insurers and reinsurers had been about cover for cyberattacks and communicable diseases such as COVID-19. Reinsurers are largely excluding these risks from policy wordings.

Source: Arabnews.com

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Head Office:

Maker Bhavan No. 1, Sir Vithaldas Thackersey Marg, Mumbai 400 020 (INDIA)

Telephone : + 91 22 6631 4949 / 6631 4917 * Telefax : + 91 22 22623747 / 22625112

E-Mail : jbbmbi@jbbodamail.com * Web : http://www.jbboda.net * Follow us on

For any further enquiry regarding J.B.Boda Group kindly write to jirafe.vinayek@jbbodamail.com