

AIRCRAFT REPOSSESSION CONFERENCE

JUNE 2010

Insurance Protections for the Aircraft
Financial Community



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TRANSPORT CATEGORY AIRCRAFT INSURANCE

- Relatively Few Insurers
- Low Frequency/High Risk
- Aviation Insurance is not a Science



AVIATION INSURANCE MARKET CONDITIONS

■ Yesterday (Post 9/11)

- Rates Went Up
- Losses Went Down

■ Today

- Still Plenty of Market Capacity
- More Underwriters
- Losses Going Up
- Underwriters are (?) Profitable

■ Tomorrow

- May Turn Ugly(ier)



GLOBAL AIRLINE POPULATION AND RELATED INSURANCE EXPOSURES

- Approx. 25,000 units
(*Limited Spread of Risk*)
- Max Hull Value \$200,000,000 +
- Max Liability Limit \$2,000,000,000 +
- Possible Max Loss = \$2,200,000,000 +

2009 TOTAL GLOBAL AIRLINE WRITTEN PREMIUM

Estimate

\$2,000,000,000



THE *ART* OF AIRLINE INSURANCE UNDERWRITING

**2009 - - Global Airline Premium
\$2,000,000,000**

vs.

**Possible Maximum Loss \$2,200,000,000 ++
Any One Aircraft**





**LOSS OF ONE
EXPOSURE UNIT CAN
WIPE OUT THE ENTIRE
GLOBAL BOOK OF
AIRLINE PREMIUM!!!!!!!**

2010 AIRLINE INSURANCE WRITTEN PREMIUM / LOSSES

Written Premium

■ YTD (May)	220,000,000
■ Forecasted	2,200,000,000

Losses

■ YTD (May)	460,000,000
■ Forecasted	?

INSURANCES AVAILABLE TO PROTECT THE INTERESTS OF FINANCIAL INSTITUTIONS

- Insurances Available from the Aircraft Operators
- Insurances Directly Available to the Financial Institutions

INSURANCES AVAILABLE FROM THE AIRCRAFT OPERATOR

- All Risk Hull
- Airline Liability
- Deductible Insurance
- AVN67B

Notes:

- Check the Security of the Insuror
- If *Local* Insurance, Consider *Cut Through Clause*.

INSURANCES DIRECTLY AVAILABLE TO FINANCIAL INSTITUTIONS

■ Hull Insurance

- Single Interest Insurance
- Errors & Omissions
- Repossessed Coverage ✓



■ Liability Insurance

- Contingent Liability
- Repossessed Liability ✓
- Non-Owned Liability ✓
- Products Liability ✓
- Airport Premises / General Liability ✓

REPOSSESSED (IN-CUSTODY) COVERAGE

- Auto Reporting
- Max Hull Value \$
- Market Deductibles
- Max Seating
- Ground Risk Only (GRO)
- Ground Risk Only + X hrs
- Deposit Premium
- Rate Per Day / Per Hour

- **TLO Insurance**
- **Residual Value (RVI)**
- **Diminution of Value**
- **Political Risk Insurance**
- **Lease Payment Insurance**

POLITICAL RISK INSURANCE

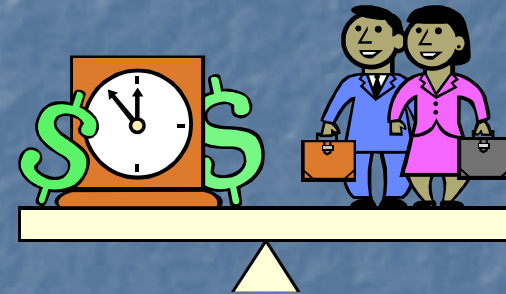
- Confiscation, seizure, appropriation, expropriation, nationalization, restraint, detention or requisition for title or use by the Foreign Government, or
- Refusal or failure of the Foreign Government to allow rights of repossession, or
- Refusal to allow removal from the Foreign Country , or
- Refusal to allow deregistration, or
- Refusal or failure of the Foreign Government to allow the insured to obtain the proceeds of sale.

One of the requirements of the Political Risk Underwriters is an independent attorney opinion letter from a lawyer resident in the foreign jurisdiction commenting on the enforceability of the lease agreement – perhaps an excellent idea even if Political Risk Insurance is not ultimately purchased.



REMEMBER:

- Time = \$



- Higher Values = Lower Rates

THANK YOU

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