

Grounding Liability Insurance

Developing a Sustainable Product

GLOBAL AEROSPACE



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Background

Following the loss of a de Havilland Comet in 1954, Grounding coverage was introduced to provide liability coverage to aviation manufacturers. Grounding coverage is provided for claims arising out of the loss of use of aircraft following an accident that necessitates grounding all other aircraft of that type pending investigation, repair or modification.



FAA
Aviation Safety

EMERGENCY
AIRWORTHINESS
DIRECTIVE

www.faa.gov/aircraft/safety/alerts/



EASA
European Aviation Safety Agency

Emergency Airworthiness Directive

The next significant grounding didn't occur until the DC10 in 1979. Following the grounding of Concorde in 2000, a number of factors, including aircraft complexity, entry to service pressures and regulatory scrutiny, have led to an increasing frequency of groundings. There have been eight significant groundings since 2002 and we expect that these industry dynamics will lead to more grounding events in the future.

Even as grounding events have become more common, the insurance afforded has expanded to include not only groundings following an occurrence, but preventive groundings that do not follow an occurrence and partial groundings, where some, but not all, flight operations are restricted.

Global Aerospace's Experience

Global Aerospace has first-hand experience underwriting Grounding coverage and handling resulting claims. Current Grounding coverage did not envision the technological and regulatory landscape that exists today and it is therefore necessary to update the coverage language to be relevant for today's exposures.

Global Aerospace has developed new policy language which provides a modern, sustainable grounding insurance product. This provides greater certainty to insureds, brokers and underwriters on the scope of coverage being provided and removes ambiguities that have been argued to exist.



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New Policy Language

1. Recognizing that not all airworthiness directives or mandatory orders require action “before further flight” we have redefined Grounding to accommodate mandatory orders that permit flight operations for 48 consecutive hours or 5 flight cycles or 10 flight hours before withdrawal from flight operations is imposed.
2. Coverage responds to Groundings imposed by an order from **either the FAA or EASA or the authority that certified the airframe or engines** of the specified aircraft. This triple trigger provides comfort that coverage will be provided once **any** of these specified authorities determines an unsafe condition exists and prohibits flight operations.
3. Coverage may still be afforded if the Grounding order is preceded by an earlier order issued by another civil aviation authority or a service bulletin which meets the same immediacy criteria.
4. Coverage ceases when affected aircraft are no longer withdrawn from flight operations by **any** order from the **FAA, EASA and the authority that certified the airframe or engines**, or the orders are withdrawn or become ineffective. This provision provides comfort that coverage is available until there is agreement from all of the specified authorities.
5. Coverage is provided for **any Certified Aircraft** – those with a type certificate or supplemental type certificate issued by a civil aviation authority.
6. During a Grounding, non-commercial, non-revenue flights will not interrupt the period of coverage.

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