

Damaging Financial Impact for Airlines from Icelandic Eruption

What happened?

Plume of volcanic dust in flight paths	Eyjafjoll volcano, Iceland, erupted on 14 April sending dust and ash up to 10 km into the atmosphere. The ash cloud has been blown by the wind to cover large areas of Europe and its flight paths. For more eruption details please go to www.jltre.com .
European airspace closed	Air traffic control services were removed from the majority of European airspace including Austria, Belgium, Croatia, the Czech Republic, Denmark, Estonia, Finland, most of France, most of Germany, Hungary, Ireland, northern Italy, the Netherlands, Norway, Poland, Romania, Serbia, Slovenia, Slovakia, northern Spain, Sweden, Switzerland, Ukraine and the UK.
Majority of European flights cancelled	Up to 80% of flights due to have departed from European airspace were cancelled. Only Southern Europe, including parts of Spain, Portugal, the southern Balkan area, southern Italy, Bulgaria, Greece and Turkey remained open. (Source: Eurocontrol)

Impact on Airlines

US\$200m cost per day	IATA's initial and conservative estimate of the financial impact on airlines is in excess of US\$200 million per day in lost revenues. In addition to lost revenues, airlines will incur added costs for re-routing of aircraft, care for stranded passengers and stranded aircraft at various ports. (Source: IATA)
Right to reimbursement	The European transport commissioner has emphasised that EU passenger rights apply in this situation. Passengers have a right to care (refreshment, meals, accommodation etc) and a right to reimbursement of fares or a re-routing to final destination.
No compensation	As this is "an exceptional circumstance" passengers are not entitled to additional financial compensation as would be the case if the delay was the fault of the airline.

Impact on Insurance Industry

Airlines not insured	Virtually no airlines are covered for the financial consequences arising from the grounding of aircraft as a result of the recent volcanic events, other than by way of using the lay-up provisions of their respective policies. Although, all airlines would be covered in the event of a loss as a consequence of flying through an ash cloud.
3 previous incidents	3 events involving Boeing 747s flying through volcanic ash clouds in 1982 and 1989 all resulted in failure / shutdown of all 4 engines, were followed by swift descents to a lower flight level and suffered severe abrasion damage to the fuselage and flying surfaces. All 3 flights continued to make safe emergency landings, however, all engines were either considered beyond economic repair or subjected to lengthy overhaul or repairs.

JLT Reponse

Discussions with underwriters underway	JLT Aerospace are pleased to advise you we are already in discussions with various insurers to mitigate future financial losses presently being experienced by the airline industry.
A meaningful product	In order to provide a meaningful product we are currently answering the insurers concerns and providing them with analytical information to assess premium levels. We will provide more details as soon as possible.
Contact Us	Should you have any queries or suggestions as to coverages to be incorporated in the scheme please contact us via your usual JLT representative or via publications@jltre.com .

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