Air transport: insurance for air carriers and aircraft operators

2002/0234(COD) - 27/09/2002 - Document attached to the procedure

The European Commission presents two working papers on insurance in the air transport market. The first reflects the ongoing developments in the insurance and aviation market and the possible impact of the creation of a mutual fund scheme on those markets. The second deals with a coordinated response to the ICAO State Letter on the establishment of a global aviation war risk insurance scheme. With regard to the first, the Council requested the Commission to assess mutualisation schemes in June 2002 and in response, the Commission adopted a Communication (please see COM020320). This document sets out a factual comparative analysis of the following aspects of the schemes and the market offers: contractual, institutional, business and financial aspects on the basis of the evaluation presented in the communication. It is based on information gathered from the parties concerned i.e. the promoters of EUROTIME, the GLOBALTIME scheme and the commercial insurers. The criteria against which various aspects of the proposed mutual fund schemes and current commercial market offers were analysed have been the following: -impact of the schemes on the commercial market (risk of undue restrictions). This looks at market foreclosure on primary and excess insurance markets and state aid rules; -impact of the schemes on government exposure. There should be a clear exit strategy for government involvement; -impact of the schemes on EC commitments on financial services under GATS. On balance, the analysis confirms the Commission's initial evaluation with regards to the possible creation of a mutual evaluation scheme at ICAO level. It indicates that at this stage, in case of the creation of a mutual fund scheme at international level, there should be safeguards built in to ensure that the scheme concerned does not unduly affect conditions of competition on the commercial insurance and reinsurance markets and does not prevent any potential competitors from entering these markets (notably those which restricted cover and may re-enter the market by offering higher levels of insurance. Moreover, it should also be ensured that, should there be government participation in the creation of a scheme, that such participation be restricted as much as possible, so as to produce the least possible adverse effects on the commercial market. The analysis is without prejudice to the application of the rules on competition and state aid. The Commission suggests that Member States express, in their response to the ICAO State Letter dated 06/06/02, a favourable attitude to the creation of a global scheme for aviation war risk insurance, under certain conditions. One of these is that either he US or Japan, or both, agree to participate in the scheme. Another is that government participation is limited to maximum 3 years without the possibility of prolongation.