

AIG leads US Airways crash coverage

By Zack Phillips

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NEW YORK—The losses from Thursday's US Airways plane crash in the Hudson River would be covered under a hull and liability policy led by American International Group Inc., market sources said Friday.

Crew for US Airways Flight 1549 reported the plane struck a flock of birds shortly after taking off from La Guardia Airport in New York City. All 155 passengers and crew escaped after the pilot landed the plane in the Hudson River and rescue personnel arrived on boats.

The hull of the Airbus A320 is worth about \$40 million, according to market sources. The water landing likely renders the accident a total loss, although underwriters could recover some money in salvaging parts, experts said.

Willis Group Holdings Ltd. placed the coverage, several market sources said. A spokeswoman for the broker declined comment.

Aviation risks globally pay an estimated \$2.6 billion in annual premiums, so the loss of about \$40 million is unlikely to have any tangible impact on the market, observers said. Insurance rates already have been increasing by 10% to 20% in some accounts, said Bob Altemus, area senior vp and managing director of the aviation group at Itasca, Ill.-based brokerage Arthur J. Gallagher & Co.

"I would not expect any precipitous upward movement in rates just because of this single event," Mr. Altemus said, "although I would expect that underwriters would use it as another arrow in their quiver to support already increasing rates."

The plane remains largely intact, which safety investigators said will make it easier to confirm the cause of the accident. Mr. Altemus and others said that clear evidence that a bird strike caused the accident could reduce liability losses, because such claims tend to be lower in cases where the airline and insurer can prove the incident was unavoidable.

The liability limit for most U.S.-flagged major airlines is \$1.5 billion, according to one industry source.

Last month, a Continental Airlines Inc. jet veered off the runway at Denver International Airport and caught fire, but all 115 passengers and crew escaped. Both that accident and the US Airways crash this week could have been much worse, said Paul Hayes, director at London-based aviation consultant Ascend Worldwide Ltd.

"Having two accidents in the U.S. over a short period of time like that may remind underwriters, if they needed reminding, of the potential for catastrophic loss," Mr. Hayes said.

The last total loss due to birds was in 2004 when a KLM Boeing 737 ran off the landing runway in Barcelona, after a bird strike on takeoff from Amsterdam, according to Ascend. There were no fatalities.

Sarah Veysey contributed to this story.
