

HORUS

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Exclusive Issue

Special Report about the Effect OF The Recent Terrorist Attacks of America On The World Insurance Market

Could it be the largest single Insurable Catastrophe

Report by: - Insure Egypt

Official figures of claims as a result of the recent terrorist attacks exceeded \$ 20 Billion, but in accordance with Maurice Greenberg Chairman of AIG losses are likely to exceed the figure of \$ 40 Billion.

The scope and uniqueness of the events meant standard loss modeling and assessment methods (have limited relevance).

While it is too early to estimate the exact amount of the loss, the catastrophe of Northridge earthquake in 1994 is a proven example of the long tail calculation of catastrophes.

Early estimates of the 6.7 magnitude quake struck on January 17, 1994, (killing 62 people, injuring more than 9,000 and leaving 20,000 homeless. More than 200,000 homes, apartments and buildings were either destroyed, damaged or deemed uninhabitable) put the insured losses at US\$800m, but the actual tally has soared beyond that over the years. The Institute for Business and Home Safety, which monitors amounts of claims paid by insurers, reports that insured losses from Northridge have reached a staggering US\$15.3bn, making it the second-worst U.S. catastrophe, after 1992 Hurricane Andrew, which caused US\$15.5bn in insured losses.

What happened:

1. American Airlines Flight 11 with 81 passengers and 11 crew bound for Los Angeles was hijacked in Boston. The aeroplane, a Boeing 767-200ER, was crashed into the North Tower of the World Trade Center about an hour later.
2. American Airlines Flight 77, a Boeing 757-200 carrying 58 passengers and six crew bound for Los Angeles, hit the Pentagon about 55 minutes later after being hijacked at Dulles Airport in Washington DC.
3. United Airlines Flight 175, bound for Los Angeles carrying 56 passengers and nine crew, was hijacked in Boston. The Boeing 767-200 hit the North Tower of the World Trade Center about an hour later.
4. United Airlines Flight 93, bound for San Francisco with 38 passengers and seven crew, was hijacked in Newark and the Boeing 757-200 crashed eight miles east of Somerset, Pennsylvania.

American and United airlines carried all-risk hull and liability insurance - which are soon up for renewal. Typically, this cover excludes war risk perils.

American Airlines coverage is led by Associated Aviation Underwriters, which is owned by Global Aviation Underwriting Managers in London and placed by Aon in Dallas and London.

United Airlines cover is led by USAIG in the US and placed by Aon in Chicago and Marsh in London. Most of the world aviation insurance market, including Lloyd, would have provided insurance or reinsurance cover for

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either or both of the airlines.

The Hull losses of the four aircraft are costing almost \$129 Million

It is believed that United and American each had at least US\$1.5bn in liability insurance for each aircraft. This cover would pay for passenger liability as well as third party liability and property damage. It would also cover any indemnities given to security personnel at the three airports where the four aircraft were hijacked.

Should the aviation insurance industry be called upon to pay the limits of these policies, the claims would be three times worse than the worst year ever for worldwide airline hull and liability insurance losses.

As for the Buildings of the World trade center, it was insured for the value of \$3.6 Billion.

As for the offices and contents of companies and corporations in the WTC which are insured under property all risks and BI Coverage, there is not yet any actual figures.

Life insurers estimated their losses in this accident to be in the region between \$2 Billion - \$5 Billion.

The most complicated coverage is the Workman Compensation Act, where most of the people died almost 6,000 and injured in the WTC were employees.

The following insurance coverages are expected to be effected:

1. Employer liability Insurance
2. Personal accident
3. Motor
4. Medical Insurance
5. General liability
6. Travel insurance.

Property claims expected to be resolve more quickly than other types of claims, followed by life insurance policies, but the main concerns are business interruption and liability losses which, along with workers compensation claims, will take months to clear up. The difficulty in estimating business-interruption claims is that they have no geographical limit. The disruption to commerce affects companies around the globe, not just those that were located in the World Trade Center and its environs, many of which are now contending with uncertain timeframes for relocation.

Most of property insurance in U.S.A. include loss from terrorism, although they are likely to exclude losses from war.

Here under are estimation of the net losses after reinsurance recoveries for several companies.

US Dollars

Companies	Losses	Country
Berkshire Hathaway	2.2 bn	US
Munich Re	1.9 bn	Germany
Lloyds	1.9 bn	UK
XL Capital	1.8 bn	Bermuda
Swiss Re	1.5 bn	Switzerland
Allianz	975 Million	Germany
AIG	800 Million	US
Employer Re	600 Million	US
AXA	550 Million	France
Travelers	500 Million	US
Partner Re	450 Million	Bermuda
Zurich Financial	400 Million	Switzerland
Ace	400 Million	Bermuda
Hannover Re	365 Million	Germany
CNA	350 Million	US
Metlife	300 Million	US
Royal & Sun Alliance	290 Million	UK
Scor	250 Million	France
Fairfax Financial	200 Million	Canada
QBE	123 Million	Australia
Chubb	100 Million	US
Trenwick	100 Million	USA
Everest Re	75 Million	Barbados
Willington	74 Million	UK
Markel	70 Million	US
CGNU	51 Million	UK
Cigna	25 Million	US

Lloyds is to increase the premium levy on all syndicates to 2% up from 0.9%, effective for years 2002, 2003. The additional income, estimated by Lloyds at US\$ 1 Billion will be added to the Lloyds central fund.

Effects On Terrorism Coverages in Property Business. Report by: Insure Egypt

THE attack on the World Trade Center has changed, perhaps lastingly, perceptions of risk. It was the worst terrorist assault on American and may be the entire world producing the biggest insurance losses in history and the highest death toll in any insured event. The odds of terrorist attacks may not necessarily be any higher. But the fear of them certainly is. So, too, is the demand for insurance cover. But war risks, or the risk of nuclear attack, find no takers. In most countries, governments are supposed to pay for the costs of war.

Experts estimate that about 70 percent of the insurance contracts covering terrorist attacks will expire by the end of the year, and reinsurers, have said they plan to drop such coverage. That has led to concerns of a spiraling economic crisis at the end of the year.

Insurance Companies Top executives are arguing that terrorism is a social risk where they have no way of predicting future exposure with any statistical accuracy.

At the time of writing this report, the White House plans to propose that the federal government relieve insurance companies of 80 percent or more of the cost of damages from any terrorist attacks over the next year 2002.

The proposal would leave the government vulnerable to huge losses if there were large-scale attacks, but administration officials said that they thought it was the most workable plan at a time when the industry and others that depend on insurance need a quick fix. The proposal rejects measures drafted this week by the major insurance carriers and some top lawmakers to create a federally backed company to help provide insurance for future terrorist attacks.

Experts estimate that about 70 percent of the insurance contracts covering terrorist attacks will expire by the end of the year, and reinsurers, who essentially offer insurance to the insurers, have said they plan to drop such coverage. That has led to concerns of a spiraling economic crisis at the end of the year.

If the proposal is adopted, the insurance industry would become the second to be provided federal assistance after the terrorist attacks last month. President Bush has already signed a \$15 billion bailout package of assistance and loan guarantees for the airline industry.

Under the industry plan, a federally backed insurance company would pay the first \$10 billion in claims before the government stepped in to pick up the rest. But administration officials, fearful of an unwieldy new government bureaucracy that would set premiums, rejected that plan in favor of one in which the government would pay some costs from the first dollar in claims.

Under the administration proposal, the government would pay 80 percent of the first \$20 billion of claims, with the industry paying the remaining 20 percent during the first year of the plan.

After the first \$20 billion in claims, the industry contribution would drop to 10 percent. So, for instance, if there were \$20 billion in claims, the government would pay \$16 billion, and if the claims rose as high as \$100 billion, the government would pay \$88 billion.

The administration also considered and ultimately rejected a proposal to set a cap on the industry liability.

Officials said that the administration proposal would offer a tight definition of terrorism damage covered by government money and would not be a permanent program. Rather, they said it would be offered for only three years. And in the second and third years, they said, insurers would pay more of the costs.

Julie A. Rochman, a senior vice president of the American Insurance Association, said that insurers were open to any plan that calmed the insurance markets. (The main concern,) she said, (is to have some predictability and reliability.)

Some insurers said they hoped that the White House proposal that they pay 20 percent of the claims in a terrorism attack was an opening bid that would be negotiated downward as legislation moved through Congress.

European governments are far more experienced in reinsuring man-made Catastrophes

Since the Spanish civil war of 1936, the London non-marine market (including the Lloyds market) has excluded cover for war on land risks, with the limited exception of landed cargo.

In 1982; London market underwriters recognized the extent to which they wanted to cover war risks. The war and civil war risks exclusion agreement between London market and Lloyds underwriters provided that underwriters provided that underwriters will exclude loss, damage or liabilities resulting directly or indirectly, from war and civil war, from all insurance and reinsurances, other than those excepted classes as listed in the war risk water borne agreement and the war risk airborne agreement.

- ❖ Life Insurance
- ❖ Personnel accident
- ❖ TPL insurance for property and death
- ❖ Professional indemnity
- ❖ Directors & officers Liabilities

The purpose of excluding war cover for property on land is because the accumulation of values is too great to be borne by insurers.

In the Non-Marine market, exclusion for damage arising of any terrorist act is usually restricted to damage located in the UK. The exclusion of loss arising from terrorism in the Non marine was initiated after the IRA Irish Republican Army bombings on Britain 1993. Following this Bombings, the reinsurance market excludes terrorist attacks in respect of UK Properties.

A government-funded indemnity was provided by Pool Re for loss from terrorism, which operates as a mutual for reinsurance companies. Certain Lloyds underwriters subsequently offered specific terrorism cover for the UK Properties.

If Pool Re premiums and reserves are exhausted, the government is committed to meet remaining claims. Companies are not obliged to insure with Pool Re but its premiums tend to set the market rate.

France has a state-guaranteed reinsurer, the Caisse Centrale de Reassurance. It kicks in when private insurers losses from policies for natural disaster exceed 150% of premiums.

In Israel, which has many years of experience dealing with insurance coverage for terror-related damages, there is a law ensuring government coverage of direct losses from attacks. The government quickly swings into action after an attack, sending out surveyors and assessors to record the damage.

State coverage is limited to the value of the property damaged or lost, but not business-interruption costs, and does not always meet the full cost of rebuilding. However, coverage of direct property losses makes it easier for companies to buy complementary policies to cover indirect costs.

The Israeli government covers direct losses from terrorist attacks, although not for business interruption.

Effects on Reinsurance Treaties

Normally under reinsurance property treaties there will be War & Civil war risks exclusion the clause will exclude (any loss or damage directly or indirectly resulting from war, war like acts, civil war & Act of terrorism)
Currently Reinsurers are reviewing their reinsurance agreements to include a more wide and precise war and civil war exclusion that exclude entirely any political risks on property such as subotage, civil commotion

Effects on the Reinsurance Markets

Report By: Insure Egypt

OVERVIEW

Reinsurance rates had increased across all sectors at 2000 year-end renewals.

By July 1, 2001 Renewal ended up being the turning point in time when the market moved to be definitively hard. The factors besides such hardening are: -

1. The continued poor underwriting results for reinsurers as reflected in combined ratios averaging 114 %, and a rate of return on surplus of 5 percent-despite relatively low catastrophe losses in 2000.
2. Major reinsurers are experiencing a severe deterioration in accident year loss reserves for the years 1997, 1998, and 1999. Adverse loss development caused severe trepidation among reinsurers and reinforcing, for them, the inadequacy of prior rate levels. Whatever they had previously viewed as the extent of the pricing inadequacy, their current view is that it is much worse.
3. Change in the psychology at reinsurers, starting at the top and reaching down to the line underwriter. Leaders have held firm and, are now finding the business coming back to them, after firm order terms of cedents initially went out to market below their (lead) terms, Many covers and programs are not being completed the first time into the market.
4. Reinsurance underwriters feel that their livelihood is at stake, in terms of their compensation and, indeed, their very jobs. They do not need any further encouragement from shareholders or management to re-price.
5. At the same time as the deterioration in financial results, those reinsurers that relied on retrocessional protection were faced with a pronounced hardening in that market. Price increases of 25 percent to 40 percent were common, and necessary retrocessional capacity could not be found for some programs at any price.

Recent Terrorist Attacks will lead toward more hardening Market

According to standard & Poor, the global reinsurance industry is well positioned to shoulder the unprecedented insurance costs of the World Trade Center (WTC) attack, while maintaining a secure financial footing. Contrary to some analysts gloomy predictions that the industry will be hard pressed to pay claims.

The major reinsurers, who form the backbone of the industry, are looking especially robust in their strong financial status. Swiss Re, General & Cologne Re, Munich Re, and Employers Re together generated 49% of global reinsurance premiums in 2000. Collectively, these four reported estimated WTC net losses exceeding \$5 billion, accounting for a hefty chunk of the total losses reported by insurers and reinsurers, which had exceeded \$20 billion by Oct. 2, 2000.

While the attack represents the single largest loss event ever to strike the insurance industry. The final claims tally will only slowly emerge and reinsurers will feel the impact, claims are likely to exceed the figure of \$40 Billion by the end of this year. The example of Northridge Earthquake is quiet striking where the losses have been doubled several times from its preliminary estimation of \$800 Million in 1994 to 15 Billion by 2000.

Especially in light of the argument that the recent terrorism attacks is beyond any accurate measurements of the loss exposure.

Recent losses results in excessive share reduction of the major insurance & reinsurance companies in the stock exchanges reflecting investors fears of deteriorating results of these companies and putting much pressure on the management to restore profitability.

Investment losses, particularly for reinsurers with large equity portfolios, pose a secondary but potentially significant problem for reinsurers. The bulk of property and life insurance claims are likely to be settled over the next 6 to 18 months, requiring the sale of investments, some of which may have lost 15%-25% of their value since purchase, exacerbating the decline in capital. Moreover, as reinsurers begin to rebuild portfolios from future premium inflows, any investments in fixed-income instruments will earn significantly lower rates of return. In general, most reinsurers manage conservative investment portfolios, but for some newly formed companies, market volatility could create liquidity concerns.

Property claims expected to be resolve more quickly than other types of claims, followed by life insurance policies, but the main concerns are business interruption and liability losses which, along with workers compensation claims, will take months to clear up. The difficulty in estimating business-interruption claims is that they have no geographical limit. The disruption to commerce affects companies around the globe, not just those that were located in the World Trade Center and its environs, many of which are now contending with uncertain timeframes for relocation. (We hope to have a pretty clear picture by the end of the year Puccia said, (but some companies affected by the disaster might not have a firm grip on their costs even by the end of 2001.)

One factor that could have a dramatic impact on reinsurance recoveries is whether the attacks are considered a single or multiple events, owners of the WTC, is in negotiation with his insurers over this matter.

They are arguing that the two airliners that hit the world trade center should be considered as two separate events, in which case they would be entitled to double their \$ 3.6 Billion Policy. There is a similar calculus going on with the airlines regarding the multiple hijackings.

The question of defining the catastrophe as a single event or a multiple events also takes on enormous importance. Most insurance companies have opted for the former and cheaper interpretation in their loss estimates, but courts, public opinion, and U.S. Government intervention can all influence the outcome.

The definition of any one event has been subject to much argument and litigation.

❖ The First time (event) was defined by the court was in 1995 **Caudle - v - Sharp** where the court of appeal identified three requirements of a relevant (event)

1. (A common factor which can properly be described as an event)
2. Which satisfied the test of causation and
3. Which was not to remote for the purpose of the clause.

❖ In **AXA - v - Field** the house of lords distinguished an (event) from an (originating cause) holding that (an event is something that happens at a particular time, at a particular place, in a particular way A cause is something altogether less restricted. It can be a continuing state of affairs, it can be the absence of something happening.

The notable point arising from the House of Lords was the indication that by analogy, an (event) cannot be a continuing state of affairs.

In regard to the US situation, we can see arguments in favor of the following likely scenarios.

1. Where the peril is narrowly defined and the facts support the finding that the hijackers intended to permanently deprive the owners of possession and ownership then the hijacking of each individual aircraft could be the event.
2. Where there was a preconceived plan to destroy specific targets but insufficient unity of cause and location, the destruction of the two towers of the WTC could be on event, with the pentagon & Pennsylvania crash each being separate events.
3. Where there was a preconceived plan to hijack and destroy specific targets, the implementation of such plan could be the single event provided there was sufficient unity of time, intent, location and cause;
4. Whether the proximate cause of collapse of the WTC towers, and the third tower later in the evening, arose from the aircraft crashing into the two buildings will depend upon the facts once known.
5. Claims arising out of unforeseen damage, such as asbestos pollution from the dust created from the collapse of the WTC, will need to satisfy the (event)criteria in order to be capable of being aggregated under excess of loss reinsurance (in addition to establishing proximate causes.)

These losses will accelerate the path of hardening market excessively, which will be more clear by the next January renewals, the hardening market conditions are expected to continue at least till the end of year 2003.

World Top 25 Reinsurers with Standard & Poor rating update October 1st, 2001

	Net premium written 2000	Total Adjusted shareholder fund	Standard & Poor Rating @October 1, 2001
Munich Re	10,641,000	46,105,700	AAA
Swiss Re	5,289,800	4,853,600	AAA
Lloyds	3,952,900	8,268,400	A
Allianz AG	3,726,500	53,414,100	AA+
General Reinsurance	3,260,100	4,436,500	AAA
American Re	3,165,500	2,165,400	AAA
Hannover Re	2,595,700	1,834,100	AA+
Employers Re	2,227,100	4,050,100	AA-
Gerling Globale	2,027,100	902,400	AA-
Kolnische Ruckversicherungs	1,976,100	1,850,100	AAA

Swiss Re America	1,758,700	1,537,000	AAA
GE Frankona	1,529,800	982,600	AAA
Transatlantic Re	1,456,700	1,531,900	AA
Bayerische Ruckversicherung	1,245,200	1,909,700	AAA
Everest Re	1,211,800	1,272,700	AA-
GE Reinsurance	1,096,400	773,000	A+
European Re	993,000	932,600	AAA
Korean Re	977,500	323,400	BBB-
St. Paul Re	976,600	N.A.	AA
Zurich Re America	959,800	858,700	A+
Gerling Globale America	870,600	487,900	AA-
E+S Re	869,900	616,600	AA+
Hartford Re	825.9	N.A.	AA
Zurich Insurance	812,000	N.A.	AA
Toa Re	799,500	2,175,400	AA
Global Reinsurance Premium	94,116,500		

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Effects of Terrorist Attacks on the Aviation Insurance Markets

Special Report by: Global Aviation Bulletin

Post September 11th

The impact of the notification of cancellation of aviation hull war and aviation war liability coverages by insurers was simply extraordinary; such a potential had never previously been contemplated. The aviation industry, reeling from the effect on their operations of the terrorist attack, was pushed into crisis.

The reinstatement of those coverages, costly as it was, did not end the crisis. The restricted limit offered under aviation war liabilities did not meet the requirements of most commercial operators. Governments were subsequently obliged to step in. Airline operations globally faced massive disruption and possibly, but for governmental indemnification, an end to operations in any recognized commercial sense.

The reaction to the steps taken by insurers has naturally received condemnation from insureds. The rights or wrongs of those actions will be debated for many years, it should however be noted that the events of September 11th represent to insurers, particularly aviation insurers, the largest single catastrophe ever experienced.

Aviation insurers were immediately forced to assess their potential exposure to the events of September 11th, on a worst case basis. This assessment led to the drastic actions taken, by which underwriters sought to deal with two fundamental concerns.

1. To ensure the security of existing policies and pay all valid claims.
2. To ensure that a robust and secure aviation insurance industry could go forward and offer insurance cover to the aviation industry now and in the future.

The tragic events of September 11th sadly provided a graphic illustration of the need for catastrophe insurance cover. Insurers have made billion plus limits commonly available and have used reinsurance to protect the upper levels of their exposure, particularly where exposures aggregated. The cost of such cover to the insureds has been unrealistically low, reflecting over capacity. Efforts over the past two years to increase rates have increased premiums but, to many underwriters, not nearly enough.

The likelihood that reinsurance would only be available at a huge cost for several restricted cover confronted underwriters as the final quarter renewals were already well under negotiation. (Most underwriters purchase their reinsurance to cover losses occurring during the period 12 months at 1 January). The stark choice for underwriters was that in order to continue to provide Liability war insurance cover at all they would have to (re-finance the market, this has led to the special charges, reduced sub limits for war liability and increased rates. Underwriters believe these actions ensure all important confidence in the market now and for the future.

October 3rd

Aviation Insurance Market update

AVNC52C

Underwriters In accordance with the terms and conditions of Endorsement AVN52C, 4 (c) issued notice of cancellation effective, 23.59 GMT, 1 7h September 2001.

Reinstatement of cover afforded by AVN52C was subject to the acceptance by the insured of:

1. Third party bodily injury and property damage limited to US\$50 million or the applicable Policy limit whichever the lesser any one Occurrence and in the annual aggregate
2. Payment of a special surcharge of US\$1 .25 per passenger departure

Each revenue passenger (i.e. those paying 25% or more of the applicable fare) on a particular flight (with one flight number) should be counted once only and not repeatedly on individual flight stages of that flight, with the single exception that passengers flying on both international and domestic flight stages of the same flight number may be broken down at the gateway point (as per AIA definition of (international)).

Cargo carriers were charged a special surcharge of 25% of their Liability premiums

The special surcharges levied were stand alone amounts and did not replace any additional premium that may have been originally charged for the inclusion of the AVN52C write back.

The revised Extended Coverage Endorsement (Aviation Liabilities) AVN52C was replaced with AVN52D applicable to airline operators and AVN52E applicable to general aviation operators, effective GMT 00.00 hours Tuesday 25 September 2001,

AVN52D differs from AVN52C in that the limit of liability in respect of third party Bodily Injury and Property damage is limited to US\$50 million any one Occurrence and in the annual aggregate except with respect to passengers to whom the full Policy limit(s) shall apply.

AVN52E differs from AVN52C in that the limit of liability in respect of third party Bodily Injury and Property damage is limited to US\$10 million any one Occurrence and in the annual aggregate except with respect to passengers to whom the full Policy limit(s) shall apply.

Coverage under by AVN52D or E for airports, airside operators, manufacturers, providers/operators of repair & overhaul, ground handling, air traffic control, refueling, catering, security, maintenance and construction services to the aviation industry. Coverage is available through an air carriers policy only where the service provider is fully owned by that commercial air carrier.

Government Action

The application of a sub limit in respect of third party Bodily Injury and Property damage liability threatened to bring the aviation industry to a halt as most operators are bound contractually and legally to maintain specific levels of cover greater than that available under AVN52D and E.

A number of governments agreed, in most cases, to indemnify commercial air carriers for the difference between the amount previously provide by AVN52C excess of the new sub limits provided in AVN52D and E.

The acceptability of these varied indemnities is still being debated by many leasing companies and has, in some cases, been rejected as inadequate.

Some governments extended their indemnity to include airports, airside operators, manufacturers, providers/operators of repair & overhaul, ground handling, air traffic control, refueling, catering, security, maintenance and construction services thereby ensuring commercial aviation operations around the world continued.

The liability cover provided by governments and is available as an interim measure only until a commercial alternative becomes available from the insurance industry.

Aviation War, Hi Jacking and other perils Liability insurance

Broker representatives of Willis, Marsh and Aon in conjunction with AIG and Frankona, have together successfully completed the placement of specific insurances, to provide aircraft operators with third party liability cover excess of the sub limit of US\$50 million in AVN52D has been completed and is available to all brokers. A total of US\$ 1 billion is available.

Master Line slip for Brokers Layer 1 To pay the difference between a Combined Single Limit (Bodily Injury/Property Damage) US\$150,000,000 each occurrence each aircraft and a Combined Single Limit (Bodily Injury/Property Damage) of US\$50,000,000 any one occurrence and in the annual aggregate.

In the event that that the primary limit reduced or exhausted the insurance offered in Layer 1 will apply in excess of the reduced limit or as primary insurance if exhausted.

Details:

1. Lead underwriter (L/U), AIG Europe and GE Frankona
2. Applies to aircraft liability only.
3. Lessors, financing parties and others may be considered for contingent coverage.
4. US\$50 million underlying sub limit is a minimum required for this scheme.
5. All aircraft operated by the Insured must be declared where AVN52D cover is purchased on the underlying policy.
6. Policy period is to be concurrent with the natural expiry date of underlying policy, but other periods already declared and bound will be honoured by Leading Underwriters.
7. Owned Service providers are included for aviation liability as covered under the airlines primary policies, however the combined Single Limit (Bodily Injury/Property Damage) of US\$1 50,000,000 is any one occurrence and in the annual aggregate

Brokers will present a declaration slip; each declaration is subject to:

1. Minimum premium of US\$50,000 for the policy period
2. Installments are only available where the per quarter installment amount is US\$ 50,000 or more

3. If actual earned premium for an initial policy period is less than the minimum premium requirement then if the policy is renewed the minimum premium requirement reverts to prorata.
4. Notice to follow underlying AVN52D however, leading underwriters have the option to issue notice per AVN52D independently of the underlying policy.
5. Leading underwriters require for all declarations the following information:
 - ✓ Estimated pax. number to expiry.
 - ✓ Number of cargo only aircraft.

Premium payment is to follow AVN52D payment terms subject minimum premium criteria and adjustable from date of binding (not 1 October).

Rates and Premium:

US\$0.35 per passenger (passenger numbers as declared in the primary policy)

Cargo Aircraft

US\$ 100 per cycle (cycle numbers to be agreed by L/U only). Alternatively US\$35,000 per Jet aircraft, US\$ 25,000 for Rotor Wing / Turbo Prop aircraft.

Industrial Aid Aircraft

US\$35,000 per Jet aircraft, US\$ 25,000 for Rotor Wing / Turbo Prop aircraft.

Master Lineslip for Brokers Layer 2 To pay the difference between a combined Single Limit (Bodily Injury/Property damage) US\$ 1,000,000,000 each occurrence each aircraft and in the annual aggregate and underlying limits of a combined Single Limit (Bodily Injury/Property damage) of US\$ 150,000,000 any one occurrence each aircraft.

1. Leading underwriter (L/U) are AIG Europe and GE Frankona
2. US\$150 million underlying sub limit is a minimum requirement for this scheme

Deposit payable in full at inception within 30 days based on 100% of the Insureds estimate of passengers to be carried and/or cargo aircraft cycles for the coming 12 months subject to a Minimum premium based on 50% of the actual passengers carried and/or actual cargo aircraft cycles in the previous 12 months. Adjustable within 30 days of expiry.

Policy period: 12 month from inception.

All other terms and condition are as layer 1, other than:

Three main Difference Between limit bands are offered:

1. Difference between US\$500,000,000 (in the aggregate) and US\$150,000,000 Premium US\$0.80 per passenger carried plus US\$200 per cycle in respect of cargo aircraft

Alternatively in respect of Cargo aircraft

2. US\$75,000 each jet aircraft / US\$50,000 each turbo prop aircraft.
3. Difference between US\$750,000,000 (in the aggregate) and US\$150,000,000 Premium US\$1 .25 per passenger carried plus US\$300 per cycle in respect of cargo aircraft.

Alternatively in respect of Cargo aircraft

1. US\$125,000 each jet aircraft / US\$80,000 each turbo prop aircraft.
2. Difference between US\$1,000,000,000 (in the aggregate) and US\$150,000,000 Premium US\$1 .50 per passenger carried plus US\$400 per cycle in respect of cargo aircraft.

Alternatively in respect of Cargo aircraft

1. US\$160,000 each jet aircraft /

US\$120,000 each turbo prop aircraft.

Airline type aircraft used for industrial aid will be considered by Leading underwriters at terms and premium to be agreed by Leading underwriters

Specific aircraft within an overall fleet can be considered for cover without the necessity to cover the balance of the fleet

Both layers stipulate that: In no event shall the amount payable in respect of any one occurrence each aircraft under the primary policy, the first layer line slip and the second layer line slip combined exceed the combined single limit of the primary policy as declared,

Summary of alternative limits (all are in the aggregate) available and rates to those detailed above:

Difference between US\$900,000,000 and US\$150,000,000 : US\$1.35 plus US\$135,000 per aircraft for cargo

Difference between US\$700,000,000 and US\$150,000,000 : US\$1.10 plus US\$110,000 per aircraft for cargo

Difference between US\$600,000,000 and US\$150,000,000 : US\$0.95 plus US\$95,000 per aircraft for cargo

Difference between US\$400,000,000 and US\$150,000,000 : US\$0.625 plus US\$62,500 per aircraft for cargo

Difference between US\$300,000,000 and US\$150,000,000 : US\$0.45 plus US\$45,000 per aircraft for cargo

Difference between US\$250,000,000 and US\$150,000,000 : US\$0.35 plus US\$35,000 per aircraft for cargo

Airports, Service providers 1st October 2001

Aviation Liability War Risks update in respect of airports, airside operators, manufacturers, providers/operators of repair & overhaul, ground handling, air traffic control, refueling, catering, security, maintenance and construction services to the aviation industry.

Marsh, Aon & Willis are now able to advise details of an aviation market scheme set to provide cover for war / terrorism risks deleted from aviation liability policies for airports, service providers etc. effective 24 September.

These are provisional details only, 100% COVER IS NOT YET AVAILABLE.

1. The scheme will be led by AIG Europe (UK) Limited. Details of cover.
2. Premium is 50% of the premium of the main aviation liability policy(ies) (the Principal Policy).
3. Limit will be US\$50,000,000 for bodily injury/property damage arising from any one occurrence and in the annual aggregate for each Insured.
4. For policy sections that do not have the war exclusion / write back and therefore no need for this cover, an allocation will be made to determine the (chargeable) proportion of the premium. (e.g. certain types of Products/Grounding Liability covers),
5. Cover will be for 12 months from finalization/acceptance date, or from expiry of government indemnity, pro rata to common expiry date if required (subject to renewal).
6. It is a stand-alone policy, from the Principal Policy and the limit will not be part of the overall limit of the Primary Policy.
7. Cover EXCLUDES liability arising from the supply or provision of electronic security screening services and/or x-ray services by the Insured. It is possible that cover for this exposure will become available in the future

Efforts are ongoing to put in US\$ 100m any one occurrence / annual aggregate cover excess of this US\$50m. The premium is likely to be a further 50%. You may have seen reference to this cover being (available) in the market, this is currently only available to commercial airlines.

Hull War Policies

War underwriters, 12th September, under the material change clause, announced that all airline insureds were required to submit to underwriters the following information:

1. Routes Structure
2. Locations, outside the country of domicile, where two or more aircraft are exposed on the ground simultaneously and the values involved.
3. Changes in security following the events of the 11 September
4. Details of any threats made against the aircraft during the preceding 12 months.

Underwriters instructed all brokers to present all airline hull war risks to their respective leading underwriters between the 17th and 21st of September for a review of rates and at the same time provide the information requested.

Underwriters announced on 18th September that a hull war annual special surcharge of 0.05% was to be levied, based on declared Average Fleet Values at risk, to all airlines, effective 1st October 2001. This will be payable at pro rata up to the expiry of existing policies and pro rata going forward on

General Aviation

The sheer diversity of operations and equipment used within the GA account causes most underwriters to apply their own interpretation of what is or is not a GA operation. This has obviously led to strong disagreement and some confusion between underwriter brokers and clients at a time when clarity is essential.

Five brokers, including Willis, are, as a matter of urgency, working with the aviation insurance market representatives to produce an agreed and acceptable definition of a GA operator. At present GA underwriters believe that an aircraft with 40 seats or less is a GA aircraft, airline underwriters use 14 seat or less.

Until a clear definition is achieved obtaining war liability cover in excess of the US\$10 million presently given under AVN52E remains impossible.

AVN51

The airline market intends to exclude any form of slip condition that writes back AVN51 coverage within main Hull and Liability policies.

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Effects on the Marine Insurance Markets

By: Insure Egypt

As a result of the Colombo aircraft loss, which will cost about \$ 500 Million where most of the burden will fall on the marine war market in London. Things have become worth As a consequence of the acts of terrorism in U.S.A. combined with the effect that reinsurance arrangements are at or near exhaustion.

All of that has effect on capacity as well as on perception of risk generally. The feeling is that the premium base for war risk generally must be rebuilt.

Hull

The London hull war risks committee has decided to issue notice of cancellation for the current trading warranties, giving the required 7 days, notice commencing on 19.09.2001 at 24:00 GMT.

After the expiry of this deadline Hull risks are only insured for political risks subject to the updated trading warranties with an extended catalogue of exclusion zones. For the named areas, coverage is deemed to be in place, subject however, to payment of an additional premium at the discretion of the insurer (Held cover provision).

Basic rate has doubled from 0.025% to 0.05%, while the rates for the excluded areas has increased considerably, here under are indicative Hull war Net rates for the new excluded areas in London market.

Special focus has been made on passenger vessels and specifically Cruise shipment as an area of particularly enhanced risk in the short term.

Country	Net to London
Egypt	0.025%
Nile Cruiser (Annual Rate)	0.75%
Suez Transit	0.010%
Red sea passage	0.015%
Saudi Arabia	0.05%
Eritrea	0.1%
Israel	0.25%
Lebanon	0.2%
Syria	0.2%
Libya	0.1%
Sudan	0.2%
Algeria	0.05%
U.A.E. & Oman (local water only)	0.025%

Warranted no arms / military equipment
Warranted not in breach of any UN Sanctions.
Warranted all necessary permits / approvals obtained.
Warranted not in breach of UN Security Council Resolutions.

Marine Cargo

For the marine cargo side the rates for political risks have been increased with immediate effect and new held cover areas have been defined with effect from September 24th, 2001.

There has been no concrete action, and rates increase has been left to individual underwriters to pursue by way of a soft approach. Rates has increased almost 85% from 0.0275% to be 0.05%.