

"Insurers Give Notice to Airlines That Rates Could Rise Rapidly"

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Insurance companies, apparently trying to avoid the snarl of airline war-coverage cancellations that threatened to cripple air travel following the Sept. 11, 2001, terrorist attacks, are putting airlines on notice that insurance terms and rates may change rapidly as conditions in the Middle East merit.

While insurance companies raised war-risk rates for flights to Kuwait almost immediately after the current Iraq war began, a rising number of insurers have told their airline customers that coverage for an increasing number of countries in the area is subject to almost immediate change.

German insurer Allianz AG told insurance brokers this week that it was prepared to keep its coverage in place for flights to Iraq, but with conditions. One condition was having the airlines give prior notice of any flight to Iraq, Kuwait, Saudi Arabia, parts of Turkey, Iran, Israel and Lebanon. The other condition was that the airlines would agree to pay additional premiums on those flights, if requested by Allianz. Steven Schleisman, chief executive of Allianz Global Risk, said the insurer was simply trying to help its airline clients in difficult circumstances.

Other insurers have issued similar notices, even though for the time being flights to Kuwait are the only ones seeing premium increases -- which brokers said in some cases have been equal to \$100 (€93.85) per passenger in additional premiums.

Prior to Sept. 11, airline policies carried war-risk and terrorism coverage that was provided essentially free of charge. Insurers could cancel the coverage with seven days' notice, a provision the insurers exercised almost immediately after Sept. 11. After the cancellations, there was some question as to who would provide the airlines with war and terrorism coverage, which is required to fly into most airports. Within days, many governments around the world stepped in to provide the coverage, and commercial insurance has since become available again, though it remains expensive. U.S. airlines continue to rely on coverage provided by the Federal Aviation Administration.

However, many of the world's airlines, and many of those that operate in the Middle East, still rely on commercial-insurance coverage and are now required to inform the insurers when they fly into any location considered a hot spot. The underwriters have learned from Sept. 11, said Robert Karl, an aviation specialist at Chicago-based insurance broker Aon Corp.
