

easyJet response to DG Transport's discussion paper on the operation of Regulation (EC) 785/2004 on insurance requirements for air carriers and aircraft operators.

Q1: Has the Regulation had any impact on the insurance policy of air carriers? Do air carriers just comply with the minimum insurance requirements or do air carriers carry insurance above the minimum insurance requirements?

A1. easyJet carries a combined single limit above the minimum requirement, which reflects the importance easyJet places on safety and the airline's risk profile. easyJet mitigates risks by rigorous management of safety and security. The average age of easyJet's aircraft fleet, and the territories that easyJet operates to are also considered lower risk factors than older aircraft operating in higher risk territories.

Q2: What has been the economic impact of the Regulation on general aviation operators?

A2. This question is not applicable to easyJet.

Q3: Does the insurance market provide reasonable cover for historic aircraft, taking into account the limited usage and relative low risk of third party damage caused by such aircraft? What could be a more appropriate and proportional insurance requirement for historic aircraft?

A.3 This question is not applicable to easyJet.

Q4: Is there still a need for the requirement for aircraft operators to have insurance cover for damage to third parties due to risks of war or terrorism in respect of non-commercial operations?

A4: This question is not applicable to easyJet.

Q5: Is there a need to introduce specific rules for the insurance requirements for damage caused by unlawful interference while the aircraft is still at the airport in order to allow insurers better control over possible liability exposure?

A5: The insurance market has already been able to contain its exposure through policy limits, clauses and risk selection. One option which should be considered is for the airport to take responsibility for any attack on an aircraft should this be the result of a breach of security.

- Q6: Do air carriers licensed in third countries and aircraft operators using aircraft registered outside the EU usually deposit an insurance certificate or do they provide other documentation. What kind of documentation other than a deposit of an insurance certificate is provided by air carriers and aircraft operators and accepted as evidence of compliance by Member States?
- A6: easyJet has two Air Operators Certificates (AOC): one in the UK and another in Switzerland. All easyJet aircraft including those operated by easyJet Switzerland carry and display a valid insurance certificate provided by easyJet's broker. easyJet Switzerland also normally provides copy certificates to the Swiss Civil Aviation Authority (FOCA) once yearly.
- Q7: Would there be benefits of creating a universal EU insurance certificate for air carriers and aircraft operators?
- A7: easyJet believes the implementation of the London Market Insurance Broker Committee recommended Certification would be beneficial as it promotes standardisation and ease of understanding across the EU. Should this be passed by all members of the EU, easyJet would adopt the certificate on all aircraft including the Swiss fleet.
- Q8: Which insurance requirements apply in Member States for the passenger liability in respect of non-commercial operations by aircraft with a MTOM of less than 2.700kg? Do different insurance requirements in these cases cause problems for operators?
- A8: This question is not applicable to easyJet.
- Q9: Have there been any problems with the application of Regulation 889/2002?
- A9: easyJet is not aware of any such problems but reserves the right to express any issues if and when these should occur.
- Q10: Is there a need to harmonise third-party liability rules for Community air carriers linked to war and terrorist acts?
- A10: easyJet is following the debate in this field but is not convinced that harmonisation is a solution in itself.
- Q11: Is the Regulation still necessary to ensure a level playing field with third-country air carriers or would there be more effective alternatives, for example, in the context of Community aviation agreement with third countries?
- A11: easyJet operates principally within the EU and the non-EU countries in easyJet's network are usually EU neighbours, which form part of the EU's Common Aviation Area. The question is therefore of limited applicability to easyJet.

- Q12: Would the insurance market be able to provide insurance coverage to air carriers in order to refund passengers for the sums paid and to cover the costs of repatriating passengers if the carrier is not able to operate the flight because of insolvency or revocation of its operating licence?
- A12: The insurance market currently provides insurance coverage to air carriers in order to refund passengers for the sums paid and to cover the costs of repatriating passengers if the carrier is not able to operate the flight because of insolvency or revocations of its operating license. This is known as Scheduled Airline Failure Insurance (SAFI) and currently forms part of easyJet's travel insurance product, available to easyJet passengers across Europe. Additional insurance exists through credit card providers and according to national consumer laws.
- Q13: Would additional insurance requirements be an appropriate instrument to protect passengers in such cases or are there other more effective and efficient means?
- A13: The protection of air travellers is currently under review by DG SANCO as part of the revision of the Package Travel Regulations. A disjointed regulatory approach by the European Commission on possible requirements for protection of air travellers is something easyJet would not support.

Furthermore, the need for protection must always be judged against the risk of insolvency or revocation of an operating license. easyJet has long argued that the most effective way to tackle this risk is for the aviation authorities to tighten their financial oversight over carriers and ensure that passengers are not exposed to such risk as the result of poor regulatory oversight - airlines do not go bust overnight and both the industry and regulators are aware of a carrier's problems long before insolvency is reached.

A number of measures can be put into place to avoid passengers being left stranded abroad or out of pocket. Imposing an insurance requirement when this does not exist in other industries and is not aligned with existing levels of protection afforded to passengers would be not an appropriate instrument. This is why the UK government itself decided not to impose any such requirement on carriers, please see the statement made by the UK Department for Transport on 10 October 2005 at:

<http://www.dft.gov.uk/press/speechesstatements/statements/financialprotectionforairtra5921>

Furthermore, carriers have a significant market incentive to rescue passengers stranded by a failing airline. This is why easyJet has a voluntary repatriation scheme, which offers any passenger affected by an airline failure to fly home with

easyJet for a flat administrative fee, which basically covers the cost of administration and fuel. easyJet has deployed its repatriation scheme very successfully over the last few years when various carriers went bust and with the support of the authorities. The upside to easyJet is to secure the custom of those passengers going forward. There is an additional marketing incentive given the widespread publicity involved when an airline goes bust.

Q14: Is there scope for simplification of the Regulation?

A14: easyJet is aware that some underwriters believe that the majority of the Regulation appears to be clear and concise but for completeness it may be beneficial to recognise that insurance policies are issued with terms, conditions limitations, exclusions and deductibles in order to reassure the concerns of some.

Q15: Is it still seen necessary to have harmonised insurance requirements for non-commercial aircraft operators? What would be the impact of exempting non-commercial aircraft operators from the scope of the Regulation?

A15: This question is not applicable to easyJet.

ENDS