

AIRCRAFT FINANCING AND LEASING INSURANCE FOR FINANCIAL INSTITUTIONS



A financial institution which owns aircraft or arranges finance for aircraft needs to ensure that the assets are adequately protected. However, it is not possible for the asset to remain in the care, custody and control of the financial institution as the fleets of aircraft are leased or mortgaged to and operated by airlines, corporations and individuals. Marsh's solutions are designed to protect the interests of the financial institution in the event of a loss or damage to the asset.

Our global team of specialists offers a variety of insurance and risk management product solutions tailor-made to suit the individual requirements of our clients.

VALUE CREATION

With high risks associated with aviation and aerospace, the assigned aviation insurances form an essential part of the financier's security. Over the years the Marsh team has been at the forefront of developing new insurance solutions and refining existing insurance products for asset financiers. We are well equipped to assist our clients to meet the challenges of the future.

We regularly undertake complex opinion and advisory work requiring a high degree of specialist knowledge and experience of our financial institutions client base.

We help financial institutions in the following ways:

- Managing effectively the insurance obligations of the aircraft lessees and operators to their lessors ensuring seamless risk transfer. Our expertise enables us to negotiate difficult contract insurance requirements into realistic, industry acceptable solutions.

- We have developed an online certificate website through which lessors can access all their certificates, anytime and anywhere. The technology offers our clients global accessibility and flexibility and has resulted in enhanced customer satisfaction.
- Our close relationship with a number of aviation lawyers enables us to provide valuable joint training on a variety of difficult insurance issues. We also offer in-house seminars to our clients on topical issues relating to aviation insurance.

OUR EXPERTISE

Marsh delivers specialised insurance solutions and advisory services for banks and other financial institutions that are engaged in financing transactions with aviation and aerospace organisations. Our solutions include:

- **Contingent cover:** We arrange insurance programmes to protect the assets whilst on lease to operators, should the operator's policy fail to do so. Marsh's contingent cover serves as a back-up policy for the financial institution where primary insurers do not

pay a claim for reasons other than insolvency of the insurer. These circumstances can include breach of cover, breach of warranty or non-disclosure or mis-disclosure of facts by the lessee/operator. The cover is independent of any fault or other circumstances that could lead to a loss of cover for the financial institution under the insurance policy.

- **Possessed cover:** We can also arrange insurance to provide protection of assets whilst off-lease and in the care, custody and control of the financial institution. These can be aircraft awaiting a lease, loan or other agreement or one that has just been returned from such an agreement.

The possessed programme:

- Covers the owner of the aircraft for hull and liability risks during the process of repossession from the operator, including, but not limited to, lease/loan termination.
 - Provides seamless insurance in the transfer of responsibility from the lessee/operator to the financial institution.
 - Covers aircraft while they are off-lease and stored on behalf of the financial institution.
 - Policy can be further enhanced to include coverage for technical records and repossession expenses.
- **Advisory services:** Marsh's client advisory team provides non-transactional insurance advice and support for our airline and aerospace portfolio.
 - The team's senior practitioners have gained their experience working on a majority of the world's airline and manufacturing accounts in various technical roles. Our advisory services include, among others, reviewing leases, checking documentation, liaising with lawyers, providing information on the market practices and hosting client seminars.
 - **Marine, Aviation and General Insurance Consortium (MAGIC):** Marsh also offers insurance solutions for a wider set of financial transactions to a consortium of major banks in the United Kingdom. These are tailor-made covers encompassing aviation and extending to marine and general assets for exposures arising from all forms of financial transactions, including (but not limited to) lease and hire-purchase agreements.

To find out more:

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CASE STUDY

Marsh was appointed as broker to a medium sized European aircraft lessor following a broker review. We structured a contingent hull and liability insurance and agreed to an ongoing client advisory review as a separate service.

Subsequently, the lessor was acquired by its major bank shareholder. Marsh made a presentation to the new stakeholders and conducted a mini-seminar on the risk issues, outlining the benefits of bringing their portfolio of leasing activities under a unified risk management programme.

Acting on Marsh's recommendations, the bank's insurance department identified over 100 aircraft for the programme that had previously been handled in different departments. None of these had any contingent insurance protection or coherent advisory support. The bank is now cooperating more closely with their specialist leasing company and utilising Marsh services for specific projects relating to lease review and monitoring.

The information contained herein is based on sources we believe reliable and should be understood to be general risk management and insurance information only. The information is not intended to be taken as advice with respect to any individual situation and cannot be relied upon as such.

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