

Pan Am Hopes Federal Insurance Will

WEDNESDAY, SEPTEMBER 9, 1970

Pay \$9.6-Million in Destruction of Its 747

Rest of Coverage on Jet Is With London Insurers

By ROBERT J. COLE

Pan American World Airways said yesterday that there was "a possibility" that the Federal Government would pay the company slightly more than 40 per cent of the loss of its \$23-million Boeing 747 jet blown up in Cairo by Arab commandos Monday.

George Butkier, who is in charge of insurance for Pan American, said yesterday that the Government might pay the airline \$9.6-million. Pan Am has been buying war-risk coverage from the Government under the Federal Aviation Act of 1958, he said.

The law provides that airlines can turn to the Government for protection against war risks when commercial insurers are unwilling to sell adequate coverage at reasonable rates.

He said that Pan Am insured its two dozen 747 jets in the same way, with roughly 40 per cent of each aircraft covered by the Federal Government. With the 747's valued at \$21-million to \$24-million each, this would mean at least \$201-million of Federal insurance.

The rest of the war-risk coverage is bought on the London market, Mr. Butkier said. He added that London insurers would pay the rest of the loss in Cairo.

Don't Expect Delay

"We don't expect any delay on payment," he said.

At present, airlines have two forms of insurance—basic coverage that excludes war risks, and war-risk insurance to cover those exclusions.

The "war risks" that are not covered by normal airline insurance consist of damage caused by capture, seizure, arrest, restraint, detention or attempted action by governments or their agents.

Some companies, such as Pan American and Trans World Airlines, buy full war-risk cov-

erage. Others, with less business in tense areas, may buy little war-risk coverage or none.

Insurance that does not cover war risks also varies widely. Some airlines may absorb losses up to several million dollars, as a motorist does in a \$100-deductible auto policy. Others may be covered from the first dollar of loss.

One industry executive, who asked not to be identified, said that so few airlines wanted war-risk insurance that the premiums might rise because of the recent hijackings or the insurance companies might exclude political hijackings from war-risk insurance.

He said that after Israelis destroyed commercial planes on the ground in Beirut last year, most airlines had to pay sharply higher rates for war-risk insurance. "Remember," he said, "the United States airlines didn't have one plane involved."

Asked what might happen if insurers refused to cover political hijackings, he said: "You'd have to go to the United States Government for [insurance] protection or stop fly-

ing the planes. You could have a hijacking like this almost every day of the week."

Another industry executive was somewhat more hopeful, saying that one loss—even though major—would not necessarily bring drastic action from the insurers.

Downgrade Single Loss

Mr. Butkier, for example, said Pan Am hoped to keep rates at the same level—or even lower them.

"It depends on total experience," he said. "One loss won't change everything." He termed Pan Am's over-all loss experience as "very good."

In the recent situation, the three planes where the hijackers were successful are worth a total of \$40-million. The \$23-million Pan Am 747 is a total loss. T.W.A. insures its Boeing 707 for \$8-million to \$9-million. A Swissair DC-8 is insured for \$8-million.

Some May Be Slow

But insurance companies are sometimes slow in settling claims, particularly in the gray area of political hijackings.

Because the definition of war risks involves action or attempted action by governments or their agents, the question arises whether hijackers are government agents.

If they are, war risk policies should cover them. If not, normal policies should.

The question is the subject of a case between T.W.A. and British insurers over losses estimated at \$3-million sustained by the airline after hijackers blew the nose off a Boeing 707 jet in Damascus last year.

The claim has not been paid because it has not been determined which company must pay.

In the Pan American loss, industry sources said coverage might be spread over 150 or more companies. Among those participating through industry "pools," these sources said, were the United States Aviation Insurance Group, 110 William Street; Associated Aviation Underwriters, 90 John Street, and Lloyds of London.