

Aviation market braced for Rolls-Royce manufacturer's liability loss

John Hewitt Jones

03/08/2018



Aviation underwriters are preparing for yet another large manufacturer's liability claim to hit the market as UK engineering giant Rolls-Royce grapples with engineering issues relating to a type of engine used in the 787 Dreamliner aircraft.

Rolls-Royce holds manufacturer's liability cover with an aggregate limit of \$500mn across two policy years, which is led by aviation specialist Global Aerospace (GA) and brokered by Marsh, *The Insurance Insider* can reveal.

Sources said GA had a 10 percent line on the risk, while AIG has a 20 percent line.

Engineering giant Rolls-Royce is seeking to claw back money from carriers as it continues to address engineering issues with its Trent 1000 engines (shown above) stretching back to 2016.

Rolls-Royce has previously warned that the total bill for fixing the jet engines, used on about a quarter of Dreamliners in service, is likely to exceed \$1bn.

The market is anticipating a substantial claim from Rolls-Royce as the company pays for the redesign of affected parts and bolsters its repair centres around the globe to deal with the disruption.

Multiple sources said Rolls-Royce was likely to file claims for two separate occurrences stretching over multiple policy years in a bid to push for the maximum \$500mn policy limit.

Rolls-Royce has been working to fix problems with the jet engine since 2016, when Japan's All Nippon Airways (ANA) discovered its turbine blades were corroding faster than expected.

Blades in the intermediate pressure compressor of the jet engine were found to vibrate when operating at high speed in certain conditions, potentially causing metal fatigue.

In response to the issue, Rolls-Royce said it would monitor the Trent 100 engines currently flying and has announced a timetable for repairs that are set to take place until 2022.

In first-half results published yesterday, the engineering firm registered an exceptional charge of £554mn (\$723.7mn) for costs relating to Trent 1000 in-service issues it said were "abnormal in nature".

The Insurance Insider revealed earlier this week that aviation underwriters were expecting a \$31mn loss arising from problems with UTC's PW1100G engine, used in the A320neo airliner.

The UTC loss followed the loss of an Embraer prototype aircraft in May this year, which is [set to cost the market \\$130mn](#).

Sources said a number of recent aviation manufacturing liability claims would not have been paid under wordings issued more than five years ago.

The introduction of "non-occurrence grounding" clauses has resulted in an uptick in payouts even in cases when a loss event has not taken place.

In April this year the Federal Aviation Administration (FAA) issued a directive preventing all aircraft powered by the Rolls-Royce engines from flying more than 140 minutes from an airport they can divert to in an emergency. This is down from the standard 330 minutes.

The restrictions have caused disruption for a number of airlines, including ANA, British Airways, Air New Zealand, Norwegian Air and Virgin Atlantic.

The FAA mandate came shortly after the European Aviation Safety Agency (EASA) ordered additional maintenance checks on certain Trent 1000 engines.

The Rolls-Royce claim is the latest in a number of manufacturer's liability losses to strike the beleaguered aviation insurance market.

Chris Cholerton, president of Rolls-Royce's civil aerospace division, said: "We are working closely with our customers to minimise any operational impact of these inspections and we deeply appreciate their continued co-operation.

"We remain absolutely committed to eliminating this issue from the Trent 1000 fleet," he added.

Marsh declined to comment.

Global Aerospace and AIG declined to comment.

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