NEW INDIA ASSURANCE-LED GROUP WINS AIR INDIA INSURANCE TENDER

News / Airlines

A consortium led by state-run **New India Assurance** Co. Ltd has beaten rivals from the private sector to insure Air India's 126-aircraft fleet for the fourth year in a row, two people close to the development said.

For the $9.5 billion insurance cover, **Air India** will pay a premium of $22.5 million, less than then $24 million it paid last year. This makes it one of the biggest aircraft insurance deals in South and Southeast Asia, according to the people cited above, who requested anonymity.

In June, the national flag carrier had floated a global tender for the insurance policy, which must be renewed by 1 October. An Air India spokesperson declined to comment.

A senior New India Assurance executive, who did not want to be identified, said the firm was the front runner for the Air India mandate, adding the company was yet to hear from the airline. He did not disclose the details of the contract.

"This is the first major cost saving that Air India has achieved after the new chairman and managing director Ashwani Lohani took over. Now, Air India will focus on many other controllable costs," said one of the people cited earlier.

An airline consultant, who requested anonymity, said the premium amount was only a small portion of Air India's expenses. "But this is a good start to look at many cost items, including fuel, staff-related costs, interest costs, etc., as the new chairman is keen on reviewing the cost overhead to expedite the turnaround," he added.

Air India is surviving on a Rs.30,000 crore government bailout. The airline, which had total debt of Rs.40,000 crore as on 31 March, is expected to turn around only by 2018-19.

Premium rates are softening in the international market as there were no major aircraft accidents in 2015, barring the Germanwings crash.

In 2014, premiums had risen for both aviation insurance and reinsurance following the disappearance of a Malaysia Airlines plane in March 2014 and the alleged shooting down of another aircraft of the same airline over Ukraine.

On 24 March 2015, a Germanwings Airbus A320 crashed in the French Alps while flying from Barcelona to Dusseldorf. All 144 passengers and six crew members were killed. Germanwings is a low-fare airline owned by Deutsche Lufthansa AG.

The preliminary global jet accident rate (measured in hull losses per 1 million flights) from 1 January to 31 March 2015 was 0.38, which means one accident for every 2.6 million flights, according to the International Air Transport Association (IATA) commercial aviation safety performance data.

The preliminary results are subject to revision based on the determination of IATA's Accident Classification Task Force. This figure was an improvement over the five-year rate (2010-2014) of 0.45, IATA said.

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