

Sponsor Statement for HB 271

Cap on Aviation Accident Punitive Damages

An Act relating to recovery of punitive damages resulting from an aviation accident; and providing for an effective date.

Updated: February 21, 2002
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In the past few years, aviation insurance has skyrocketed leaving some air carriers in the state without adequate or affordable insurance coverage. The industry's biggest problem regarding insurance relates to liability. In 1998, \$24.68 million was paid out by insurance companies to cover aviation accidents in Alaska while netting only \$14.74 million in premiums.

Recent court cases have added to an increasing gap between outgoing payments and incoming premiums. Unfortunately, insurance companies have had to raise rates dramatically, creating monetary ceilings, which limits aviation carrier operations by high-cost premiums. In order to limit liability payouts for air accidents, the Labor & Commerce Committee introduced House Bill 271.

HB 271 controls the high cost of premiums, insuring future air passenger services by lowering the overhead of Alaska's air carriers. If premiums continue to climb, most air carriers will be forced to close their doors. A loss of commercial aviation operations in Alaska could severely and negatively impact rural communities.

In some situations renewal premiums have been increasing at 50 percent per year. Alaska Statute requires a minimum limit of \$150,000 per seat for bodily injury. Most air carriers have increased liability insurance to \$500,000 or more to limit bankruptcy award settlements. Affordable premiums or finding coverage is nearly impossible at those levels, hence the impetus for introducing HB 271.

HB 271 clearly limits in state statute award settlements for airplane disasters. By introducing tort reform for air travel, the Labor & Commerce Committee hopes to lower insurance premiums, thus stabilizing the air carrier industry and insuring future air travel for all Alaskans.