

ISSUES RELATING TO INSURANCE IN CARRIAGE BY AIR

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INTRODUCTION

Air transportation of consignment had its starting at concerning a similar time as did transportation of passengers. On November 14, 1919, the American Railway categorical sponsored a consignment plane flight that was unsuccessful thanks to a forced landing; but, this unfortunate experiment was followed by winning operations of the Ford Motor Company in 1925 and therefore the American Railway categorical in 1927. Further development during this field of aviation was stirred by the transfer of the air post to carriers, and within the early 93's many major airlines took a lively half within the transportation of property by air, however sadly found there was low traffic to pay expenses. There was continuing activity during this field of aviation, however it had been not till the top of World War II that the transportation of air consignment consisted of something except tiny categorical shipments. American air Lines was a pioneer in providing in depth freight service, starting on October 15, 1944, associated within the next 2 years was followed by a majority of the opposite major airlines and a number of other non- documented consignment carriers in 1946 the carriers carried an calculable fifty million miles, thrice the maximum amount as was hauled throughout the six preceding years.

From the terribly starting of shipments of property by air the carriers have exhibit a limitation on their liability. The Ludington airlines and therefore the General air categorical within the early 1930's restricted their liability to the declared worth of shipments carried by them. The American Railway categorical, the sole carrier maintaining continuing operations during this field down through the years, within the operation of its categorical service in interstate commerce has transported product on the air Categorical Receipt, limiting its liability to the declared worth of any cargo it accepts. This was followed by the United airlines in filing its 1st tariffs on February I, 1946 Shipments were accepted subject to a discharged valuation not prodigious \$50 for shipments of 100 pounds or less, or fifty cents per pound for shipments in

way over 100 pounds, with the shipper having the chance of declaring in way over the higher than amounts and paying a further 10 cent charge for every \$100 or fraction therefrom higher than the discharged value.

The rights and liabilities of commercial airlines are ruled by the Carriage by air act, 1972 [as amended in 2009] ('the act'). The act extends to the entire of India. Consequently, the act is applicable to Indian citizens concerned in domestic carriage by air and in international carriage by air, regardless of the position of the craft performing the carriage.

In brief, therefore, the act sets out a limit up to that a carrier is totally liable for damage/death/bodily injury sustained in course of traveling on board a carrier and within the course of any operations of embarking/diseimbarking in context to a rider.

The act additionally established a 'per kilogram' limit of liability for private baggage (checked-in and hand) and air freight lading to that a carrier is totally liable.

Section 5 of the act establishes the liability of a carrier in respect of the death of a rider within the course of the carriage by air subject to the foundations contained in initial Schedule¹; Second Schedule²; and Third Schedule³, because the case could also be. Section 5 doesn't oust the jurisdiction of the other law/rule in effect in India, together with the Fatal Accidents Act, 1855. Per se the act isn't in derogation of the other law in effect in India.

To put it otherwise, from the purpose of read of a applier, the act establishes the liability of a carrier, expressed in liquidated damages that are paid out as compensation, if a rider engaged in international and domestic carriage by air is concerned in an air crash/accident.

¹ The Carriage by Air Act, 1972: First Schedule harmonizes provisions of the Warsaw Convention 1929 on liability of an air carrier engaged in international civil aviation.

² The Carriage by Air Act, 1972: Second Schedule harmonizes provisions of The Hague Protocol, 1955 which amended certain provisions of the Warsaw Convention 1929 on liability of an air carrier engaged in international civil aviation

³ The Carriage by Air Act, 1972: Third Schedule harmonizes provisions of the Montreal Convention, 1999 which has replaced the Warsaw System related to liability of an air carrier engaged in international civil aviation. The International Civil Aviation Organisation ('ICAO') has reviewed and updated carrier liability to 113,000 SDR effective 2009.

ISSUES

Quantum of damages

The quantum of carrier liability is established in an exceedingly 2 tier system.

1. The 1st tier establishes a limit up to that a carrier is prone to a rider who suffers damage/bodily injury/death once aboard the carrier or within the course of embarking/undertaking/disembarking from such air carrier. This implies that every carrier is needed to shop for insurance cover to the extent of the primary tier limit per rider, to change it to discharge its liability to every rider who sustains damage/bodily injury/death, by creating a compensation payout up to the primary tier limit. Having said that, its explicit that a carrier is entitled to form the next compensation pay in terms of a contract under seal between the passenger/claimant and also the carrier. There is no amount of limitation prescribed for subsiding damages/compensation with the insurance firm. Simply because an applier cannot form up his mind or takes a handful of years to finally reach settlement or maybe approach the insurance firm for a settlement, doesn't extinguish carrier liability. The carrier stays liable as long as there remain unsettled claims.
2. The second tier of liability is expounded to once a applier rejects the provide to settle compensation with the insurance firm and chooses to hunt legal intervention by filing a case seeking way higher damages caused on account of negligence of the carrier, manufacturer's defect, pilot error, failure of aTC, among others grounds. Such a case might have up to 11-12 respondents. In such an occasion, the claimant's choice to settle with the insurance firm is destroyed and he loses the claim though he retracts the case. The amount of limitation to bring such aN action to court is 2 years from the date of prevalence of the accident.

Calculation of Quantum of Damages

Because a carrier is vested with completely liability in context to the primary tier, it becomes incumbent upon the carrier and its insurers to right away contact the passengers/their estate for the aim of determinative the quantum of compensation to be paid to every applier.

Ordinarily, once an accident has occurred, it's the insurers directly or through their lawyers that contact the families of the decedents/passengers.

It is explicit that in a world carriage by air accident, its incumbent upon the carrier/insurer to create payment to the passenger/family of add of US\$ 4000/ as a contingency quantity and additionally pay \$4000 towards transportation of remains/funeral expenses. These sums are then subtracted from the ultimate compensation payout.

It is emphasized that the carrier liability limit doesn't mean that every traveler concerned in an air crash is paid the precise same quantity as indicated to be the limit of the carrier's liability. It ought to be noted that the limit of liability of a carrier is expressed as being up to, as an example, 100,000 SDR, as within the case of the Montreal Convention 1999 limit. This suggests that the carrier/insurers are vulnerable to pay to a limit of 100,000 SRD to an applicant counting on the assessment of the quantum of harm he has suffered. Even within the event of the death of all passengers, as within the case of the recent air Asian nation crash at Mangalore, every applier on behalf of the deceased won't be paid 100,000 SDR every.

The international observe followed for settlement of a claim involving an aviation accident, is for the non-depository financial institution to create a suggestion on behalf of the carrier, to the passenger/family of deceased, UN agency might favor to subsume the insurers personally or through their counsel. Inevitably, the supply is followed by negotiations which will cause a considerable increase within the final compensation payout.

Essentially, once an applier makes a claim for higher compensation than that offered by the insurers, the applier is needed to corroborate with documentary proof and correct calculation to support the claim being place forth.

There are not any set rules for conducting negotiations or set formula in terms of that damages area unit calculated. What will happen, however, may be a elaborated method of negotiations to realistically assess the 'economic worth' of a decedent/claimant, and to reach a reciprocally acceptable negotiated settlement on quantum of compensation to be paid out by the insurance firm on behalf of the carrier.

This method involves submitting documentary proof concerning the deceased on

- (i) age;

- (ii) instructional qualifications;
- (iii) employment standing as well as post/salary;
- (iv) future prospects;
- (v) possession of property assets;
- (vi) family and their standing;
- (vii) variety of dependents and their status as well as actual amounts deployed for supporting;
- (viii) social status;
- (ix) testimonials from family, friends and skilled colleagues;
- (x) loss of amenities of life;
- (xi) loss of future income;
- (xii) loss of enjoyment of married life, among alternative indicators of the decedent's 'net worth' 'monetary damages' 'general damages' and 'future prospects'.

In return for the compensation payout, the insurers need the applier to execute aN agreement within the nature of deed of relinquishment in terms of that every applier one by one waives in sempiternity any claim against the airline, carrier, makers, sub-manufacturers etc. in relevance the same air accident.

Thus, once the applier has accepted the settlement, he should execute a deed of relinquishment of all his claims in context to the same accident and death of the deceased in sempiternity.

SITUATION IN INDIA

From 1972 to 2009, India functioned below terribly low carrier liability regime as set forth within the provisions of the 1929 Warsaw Convention mirrored in initial Schedule to the act and therefore The Hague Protocol, 1955 carrier liability regime as mirrored in Second Schedule to the act.

Limit of Carrier Liability & Quantum of Compensation: 1972-2009

In an accident of a craft on flight, involving an Indian national, the quantum of compensation to be paid out was supported the carrier liability either as per the primary Schedule (Warsaw Convention, 1929: 125,000 franc consisting of 65.5 milligrams of gold of millesimal fineness

of 9 hundred); or as per the Second Schedule (Hague Protocol, 1955: 250,000 french francs consisting of 65.5 milligrams of gold of millesimal fineness of 9 hundred).

Following the principles arranged down within the Vienna Law of Treaties that international conventions are applicable solely as between 2 acquiring parties to a global convention, the selection of application of either the primary Schedule or Second Schedule to calculate quantum of compensation to Indian nationals relied on whether or not the country of position of the carrier performing arts international air carriage and India has each legal either the Warsaw Convention 1929 or Hague Protocol, 1955, because the case could also be. Alternative concerns were place wherever the price ticket was purchased, port of departure and port of landing.

Furthermore, an applier is entitled to assert higher compensation by filing a case in an exceedingly court of law on grounds of negligence etc. by the carrier. In such event, the carrier is entitled to use the defense of nonperformance. The amount of limitation for such proceedings by a claimant/his estate is a pair of years from date of prevalence of the accident.

Conversion of Compensation

However, it's expressed that the 1972 act vide provisions of section 6 joined currency conversion of the quantity of compensation collectible to the currency rate of exchange for French francs as on the date of payment of damages/compensation. Section six of the act de-linked the compensation payout from the gold standard franc provided within the Warsaw Convention, 1929 (Rule 22 (1) and (4) initial Schedule) and within the Hague Protocol, 1955 (Rule twenty two (1) and (5) Second Schedule) to harm of Indian nationals eager to settle compensation with the insurers/ carrier.

Even otherwise, the preventive provisions of the Warsaw Convention, 1929 and Hague Protocol, 1955 requiring filing of a legal claim against a carrier within the jurisdiction wherever the carrier had its principle place of business, meant that Indians shied removed from such a course of action. They therefore took what they got from the insurance underwriter, while not the advantage of the gold commonplace by operation of section 6 of the act.

Consequently, we tend to don't have any case law in India below the Carriage by air act, 1972 touching on international civil aviation claims. Instead, the trend the recent 10 years has been

for claimants to file below the consumer Protection act, 1996 on ground of 'deficiency of service'. Therefore the 'defect' or 'deficiency of service' ground has been utilized by claimants for cases starting from delayed flights, lost baggage to death.

The *Geetha Jethani*⁴ v. airport authority of India and Ors. could be a landmark for 2 reasons. Initial that the Supreme Court upheld the order of the National Client Disputes Redressal Commission hanging down provisions of section 33 AAI act in terms of that the AAI was claiming protection from prosecution. The Supreme Court control that as a result of AAI was collection user fees from passengers, it came at intervals the range of the accountant, therefore creating it at risk of pay compensation to the complainants for the deficiency in commission that had resulted within the death of Geetha Jethani. Second, in context to award of quantum of damages, the Court upheld the consumer Commission that directed a quantity as per initial Schedule of 125,000 french francs consisting of 65.5 milligrams of gold of millesimal fineness of 9 hundred converted into office price to be paid to the decedent's family. Thus, section 6 of the Carriage by air act, 1972 that delinks the compensation payout from the gold standard and pegs it to the currency rate of exchange applicable as on the date of payment was stricken down by the Court. Finally, the importance of the choice additionally lies within the undeniable fact that the Court established the vicarious liability of AAI despite the fact that it had been just one of the defendants to the suit; the complainants had filed the suit primarily against air Republic of India.

India sanctioned the Montreal Convention 1999 and in 2008/09 brought applicable amendments to the carriage by air act, 1972. Third Schedule to the act harmonizes the provisions of the MC99.

Thus finally, Indian carrier liability in context to international civil aviation has been cited to hurry with international norms. Moreover, section 6a entitles the conversion of compensation denominated in SDR into office at the prevailing rate of exchange.

It may be noticed that the Montreal Convention 1999, doesn't provide claims for damages for pain and inconvenience caused to/suffered by an applier.

⁴ *Geetha Jethani v. Airport Authority of India and Ors* 2004 (3) CPJ 106 (National Consumer Disputes Redressal Commission).

The Third Schedule additionally reflects for claims for damage/delay/loss to consignment and baggage at increased rates in terms of the provisions of the Montreal Convention 1999⁵.

Calculation of Quantum of Damages

It's instructed that no new rules square measure needed for the aim of calculation of quantum of damages as between carrier/insurer and therefore the claimants. The international apply represented hereinabove is well settled and works well.

It is expressed, once again, in context to the Mangalore crash, that this was the primary time that Indian nationals were at risk of receive compensation at international levels of up to 100,000 SDR, if the claimants on behalf of decedents, prefer to settle with the insurer/carrier.

In view of, maybe a scarcity of understanding and therefore the absence of expertise in India of settlement of international aviation claims, there have been inaccurate statements attributed to the govt. reportable within the press to the impact that that every applier would receive the office equivalent of 100,000 SDR as compensation for the lifetime of the deceased. This has inevitably semiconductor diode to upsets and anguish the maximum amount for the families as for the trade. As explained, such a foothold is incredibly far away from the reality.

The claims, if settled by insures, can follow the well-established methodology and procedures followed internationally. Sometimes, such negotiations may take 18 to 24 months or additional. It's an awfully careful and careful effort.

It is instructed that during this read of the matter, Central Government shouldn't interfere by fitting place rules to control negotiations that will limit each the insurers/carriers on the one

⁵ Article 18:

1. The carrier is liable for damage sustained in the event of the destruction or loss of, or damage to cargo upon condition only that the event which caused the damage so sustained took place during the carriage by air.
2. However, the carrier is not liable if and to the extent it proves that the destruction, or loss of, or damage to, the cargo resulted from one or more of the following:
 - (a) inherent defect, quality or vice of that cargo;
 - (b) defective packing of that cargo performed by a person other than the carrier or its servants or agents;
 - (c) an act of war or an armed conflict;
 - (d) an act of public authority carried out in connection with the entry, exit or transit of the cargo.
3. The carriage by air within the meaning of paragraph 1 of this Article comprises the period during which the cargo is in the charge of the carrier.

hand and therefore the claimants on the opposite to reach affordable reciprocally acceptable settlements.

Carrier liability in context to Domestic Civil Aviation

Section 8 (1) and (2) of the act entitles the Central Government, by notification within the official gazette to use the principles contained within the initial Schedule browse with section 3, 5 or 6 and Second Schedule browse with section 4, 5 and 6, severally to carriage by air that isn't international.

Presently, the act articulate a liability regime for air carrier performing domestic carriage by air in terms of the quantum of damages collectible to a applier within the event of death of a traveler, or bodily injury or wound suffered by a traveler leading to permanent poor shape crippling him from participating in or being occupied together with his usual business or occupation vide Notification issued by the Ministry of business and Civil aviation, Government of India, S.O. 186(E), 20th January 1998⁶.

Thus, compensation as on date is Rs. 7, 50,000 within the event of death or any bodily or wound suffered by a traveler which ends up in an exceedingly permanent poor shape crippling him from participating in or being occupied together with his usual duties or business or occupation for someone on top of the age of 12 years and Rs. 3, 75,000 if the traveler is below the age of 12 years on the date of accident.

In the event of wounding of a traveler or any bodily injury suffered by the traveler which ends up in an exceedingly temporary poor shape entirely preventing an black-and-blue traveler from about to his usual duties or business or occupation, the liability of the carrier for every traveler shall be restricted to a add calculated at the speed of Rs.750 for each day throughout that the continues to be thus disabled or a add of Rs.1, 50,000, whichever is a smaller amount.

In association to the quantum of compensation collectible to passengers on domestic flights, it's expressed that section 8 (3) introduced within the 2009 modification, entitles the Central Government to form applicable rules contained within the Third Schedule browse with section

⁶ These amounts were revised from Rs. 2,00,000 and Rs. 1,00,000 respectively by Notification dated 5th July 1980

4a, 5 and 6a to domestic carriage by air by supplying applicable notification within the Official Gazette.

It is instructed that the Central Government might think about fitly enhancing levels of compensation collectible for passengers concerned in domestic carriage by air. Presently this power has not been exercised by the govt. to give notice a revision within the carrier liabilities. In and of itself there's no problem in superseding the present limits of liability and transportation them up to the international commonplace.

