

**Mandatory Aviation Insurance:  
A Domestic and International Perspective**

*By Ladd Sanger  
Slack & Davis, L.L.P.  
Dallas, TX*

**INTRODUCTION**

As aviation tort practitioners are keenly aware, there are many mechanics, aviation maintenance facilities, pilots and aircraft operators that do not have adequate insurance or assets to satisfy a judgment against them. As a result, innocent victims and governmental entities incur losses and cannot recover from the parties that caused the injury.

While there is a growing trend around the world to hold individuals and corporations financially accountable for the damages caused by their tortious conduct, in the United States there is still no federal requirement that aircraft operators have insurance. The fact that aviation is highly regulated at the federal level is one reason why the imposition of mandatory insurance requirements lags behind that of the automobile, which is largely regulated at the state level.

In contrast to most of the rest of the developed world, the United States has not taken the lack of liability insurance in the aviation context seriously. For example, the European Union (EU) and Canada have mandatory aircraft insurance requirements for all aircraft operators.

This article is a summary of some of the countries and states that have imposed minimum insurance requirements and financial responsibility in the aviation context.

**AUSTRALIA**

Air carriers and air taxi operators in Australia are required to carry no less than 260,000 Special Drawing Rights (SDR) or \$411,733 United States Dollars (USD) per passenger for international carriers. Domestic operators are required to have \$500,000 Australian (\$446,049 USD) per passenger. Failure to carry the requisite insurance or to have a certificate of compliance issued by the Civil Aviation Authority is a criminal offense that may result in imprisonment and a civil injunction that prohibits future operations.

**CANADA**

Canada has perhaps the most comprehensive and equitable mandatory insurance system. Canada's system takes into account the economic viability of the aircraft operator while simultaneously providing a minimum level of insurance to accident victims.

Any air operator or flight training unit operating in Canada is required to have liability insurance for death and bodily injury in an amount not less than \$300,000 USD multiplied by the number of passengers onboard the aircraft. Aircraft in excess of 7,500 pounds maximum takeoff weight (MTOW) must have public liability insurance of \$1,000,000 USD. Aircraft between 7,500 pounds and 18,000 pounds MTOW must have \$2,000,000 USD. Any aircraft in excess of 18,000 pounds MTOW must carry public liability insurance of \$2,000,000 USD plus \$150 multiplied by the number of excess pounds.<sup>1</sup>

Alternatively, an aircraft operator can subscribe to a combined, single-limit policy of \$100,000 USD for an aircraft with a MTOW of 2,300 pounds or less, \$500,000 USD for an aircraft with a MTOW between 2,300 pounds and 5,000 pounds, \$1,000,000 USD for aircraft with a MTOW between 5,000 pounds and 12,500 pounds, \$2,000,000 USD for aircraft with a MTOW between 12,500 and 75,000 pounds and \$3,000,000 USD for aircraft with a MTOW in excess of 75,000 pounds.

The operator may not operate an aircraft unless the certificate of insurance is carried onboard. The certificate must show that the operator has the proper liability insurance. There is an exception to

