

# Nigeria's aviation sector on high-risk insurance status over crashes

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## • Another victim dies, family sues DANA Air

NIGERIA may continue to have high insurance premium in the aviation sector compared to other countries following five air crashes in 16 months, experts have said.



In a related development, one of the remaining six survivors of the Associated Airline plane crash which happened on October 3, 2013 has died, an official at the Nigerian Civil Aviation Authority (NCAA) confirmed yesterday. This brings to 15 the number of people who died in the accident.

"There are five survivors left now. The survivor that died was in an intensive care unit. There were two of them there, both have now passed on," the official said.

An official said Feyi Agagu, son of Olusegun Agagu, who was also involved in the crash, is doing very well.

Also, 15 months after the DANA aircraft crashed at Iju-Ishaga Lagos, the administrators of the estate of one of the victims of the disaster has sued the airline for its refusal to pay compensation to his family members .

Recently, there was the crash of a Nigerian registered cargo airplane in Accra, Ghana, on June 2, 2012, followed by Nigeria's worst air crash involving DANA Air the following day, killing all 153 passengers.

In between that was the crash of a light aircraft flown by Taraba State Governor Danbaba Suntai and a helicopter conveying the former National Security Adviser (NSA), Brig.-Gen. Owoye Azazi and a former Governor of Kaduna State, Patrick Yakowa.

There were several air misses. The recent ones were those involving Kabo Air and DANA Air which were subsequently grounded over near-mishaps in Sokoto and Port Harcourt last week.

Usually, insurers examine various variables in marking up insurance to end user. One of such variables is the frequency of accidents, access to repossession of leased aircraft and generally, the environment in which the airplane would operate.

While insurance premium is on the rise for Nigerian airline operators, countries like South Africa, Ethiopia and Ghana enjoy low insurance premium; a situation that has seriously improved the growth of such nations' aviation.

Speaking with The Guardian, former Assistant Secretary General of Airline Operators of Nigeria (AON),

Mohammed Tukur, said in Nigeria's circumstance, "five crashes and two incidents in two years generally classify the aviation industry as a high risk environment.

"But when you look at airport and aircraft movements in places like Niger Delta, the helicopter operations there attract higher insurance premium. Nigeria had before the recent accident involving Associated Airlines ranked among high-risk nations for doing business."

The 'strange status' for the country is linked to the Sunday, June 3, 2012 crash involving DANA Air's Flight 0992 in Lagos.

Efforts by Nigeria, through the NCAA to remove the high-risk tag have been resisted by aircraft insurance firms which viewed the operating environment for aircraft operations as "very risky."

A source, who works with one of the top insurance companies based in the United Kingdom (UK) but who preferred anonymity, told The Guardian in Lagos yesterday that comments from the Minister of Aviation, Stella Oduah-Ogiamwonyi, that the accident was an "act of God" and that "it (accident) was inevitable does not stand any scientific test", noting that they find it extremely difficult to engage in aircraft finance for Nigerian operators because "of the high-risk of doing business here."

In the wake of the DANA Air crash, major aircraft leasing firms such as GE Capital Aviation Services (GECAS), International Lease Finance Corporation (ILFC), Cab Tree and AerCap raised lease on aircraft to Nigerian airlines by over 40 per cent and with a plan to increase it to 50 per cent soon.

Prior to the DANA accident, a B737-500, which was leased for \$120, 000, attracted \$200, 000 monthly.

For the new generation airplanes that are in high demand and popularly referred to as Next Gen (that is aircraft below 15 years), the lease, according to airline operators, has risen to \$280,000 per month from \$160,000.

Some airline chiefs, who spoke with The Guardian on the development, lamented that coupled with the declining passenger traffic, it has become very difficult for them to cope.

The lease remained stable from 2006 to June this year following near impeccable safety recorded in the aviation industry.

Added to this is the belief in the international aviation sector that Nigerian operators lack skills in negotiating for aircraft lease, which has led to most airlines to be on the receiving end. Most local airlines are said to lack the ability to understand minimum flight hour and engine cycles for aircraft under lease.

Also, the dwindling fortunes of the carriers have equally made lease rentals to be on the high side because the foreign firms do not trust Nigerian operators enough with their equipment.

The new high cost of lease is expected to affect the whole fiscal operations of the airlines, as they now find it difficult to buy fuel, pay workers' salaries and still have enough operating fund.

The suit filed at Federal High Court, Lagos, delineated as No FHC/L/CS/1269/1213, is praying for orders of the court mandating the airline to pay the other instalment of \$70, 000 and a declaration that it infringed on the victim's family fundamental human right to life.

The suit, instituted by Hannah Erepita George, daughter of the late Moses Amaize George, a victim of the crash, is seeking a declaratory order that the respondent infringed on the victim's fundamental right to life as well as other passengers of the airline whose journey from Abuja to Lagos ended abruptly following the crash of

the aircraft on June 3, 2012.

In a 12-paragraph affidavit in support of the motion filed by her counsel, Mr. Oluyinka Oyeniji, the applicant is praying for orders to mandate the respondent to pay interest on all judgment sums ordered as compensation at the rate of 21 per cent per annum from the time of filing the action till judgment is obtained and at a further rate of six per cent till the final liquidation thereof.

Part of their argument in the affidavit deposed to by the victim's daughter read: "The respondent had hidden under different guises to refuse to fully compensate my family and those other passengers, citing different inexistent circumstances inclusive genuineness of legal representatives of the family and retained solicitors. I know that we had responded at different times submitting letters of administration and authority for the law office of First Chronicles LP which were handed over to solicitors of the respondent but later refused to compensate."

Justice Kuya has fixed November 15, 2013 for hearing.

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