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AIR CARRIERS’ LIMITATION OF LIABILITY AND AIR
PASSENGERS’ ACCIDENT COMPENSATION
UNDER THE WARSAW CONVENTION

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The author was awarded the 1962 Braniff Essay Award in Aviation Law, an annual award in memory of the late Thomas E. Braniff, airline pioneer, established by Roger J. Whiteford and Hubert A. Schneider of the law firm of Whiteford, Hart, Carmody and Wilson, Washington, D.C.

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ON September 22, 1961, the U.S. Interagency Group on International Aviation (IGIA) invited comments on the relationship of the United States to the Hague Protocol amending the Warsaw Convention for the Unification of Certain Rules Relating to International Carriage by Air. Specifically, two questions were posed: (1) whether or not the State Department should recommend that the President withdraw the request to the Senate for advice and consent to the Hague Protocol; (2) whether or not the United States should withdraw from participation in the Warsaw Convention by giving the required six months’ notice.

The “Warsaw Convention” of 1929 is today the most widely accepted treaty on international commercial law. The amendments made at The Hague in 1955, which will become effective after ratification by 30

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1 Composed of the Departments of State, Commerce, and Defense; the Federal Aviation Agency; and the Civil Aeronautics Board. See IGIA Doc. 23/1.3 (Hearings, Dec. 18, 1961); see also Documents of the Air Coordinating Committee (ACC), Legal Division, ACC Doc. 51/22.28 (Revised), 22.28(A), 22.28(B).


4 As of April 1, 1961, the Convention was in force in 57 states, and in more than 60 dependent territories, colonies, etc. See 27 J. Air L. & Com. 375 (1960); 1960 U.S. & Can. Av., Treaty Data xii. The following are not members of the Convention: 4 states of the “socialist camp” (Albania, Cuba, North Korea, Outer Mongolia), 8 states of Asia and the Middle East (Afghanistan, Iran, Iraq, Saudi-Arabia, South Korea, Thailand, Turkey, Yemen), and 12 Latin-American states (Bolivia, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, Guatemala, Nicaragua, Panama, Paraguay, Peru, Uruguay).
states, have been commented upon by legal writers both here and abroad. The discussion centers around the carrier's liability towards passengers, previously limited to approximately $8,300 per passenger under the Warsaw Convention, and now doubled to approximately $17,000, under the Hague Protocol. A group of compensation lawyers in the United States sees the Protocol as a chance to withdraw from the Convention entirely.

With respect to the two questions posed by the IGIA memorandum, it would appear that they can be reduced to a single one. For, if the United States does not withdraw from the Convention, the only logical step is the immediate ratification of the Hague Protocol. Mere inaction; i.e., no ratification, would have the effect of perpetuating the present (low) limitation of liability, which neither advocates nor opponents of the Hague Protocol would desire. If, however, the United States does withdraw, there is no question of ratifying the Hague Protocol.

Consequently, there is really only one question to answer: Should the United States withdraw from the Warsaw Convention?

I. THE WARSAW CONVENTION AND THE CARRIERS' LIMITATION OF LIABILITY

Opponents of the Convention explicitly declare that "the only provision to which they object" is Article 22, limiting the air carrier's liability to a maximum, and thereby, allegedly, making the Convention unfair to the passenger.

As of April 1, 1961, 19 states had filed their ratifications with the Polish government, acting as depository (Art. XXI, para. 3). Although some states seem to await action by the United States first, it may be expected that the required number of 30 ratifications (Art. XXII, para. 1) will be reached in 1962.


Art. 22: "In the transportation of passengers the liability of the carrier for each passenger shall be limited to the sum of 125,000 francs."

Art. XI, amending Art. 22: "In the carriage of persons the liability of the carrier for each passenger is limited to the sum of 250,000 francs." In addition, a new paragraph, 4 of Art. 22, permits the court, in accordance with its own law, to award court costs, attorney's fees and other costs incurred if the carrier had not made a timely offer to settle the claim at an amount equal to or exceeding the judgment amount. If implemented by appropriate legislation, this provision could take care of the situation in the United States, where many lawyers take cases on a "contingency" basis, collecting as their fee from one-third to one-half of the damage award, if any, plus expenses. E.g., see Cony, *Report on Los Angeles meeting of the Nat'l Ass'n of Claimants' Comp. Att'y's*, Wall Street Journal, Aug. 6, 1956, p. 1, col. 1. Cf. Reiber, *supra* note 6, at 285, n. 29; Ehrenzweig, *Shall Counsel Fees Be Allowed?*, 26 Cal. S. B. J. 107 (1951).

Dissent by Ravage, Siff, Speiser, in the Report of the New York City Bar Ass'n, *supra* note 6, at 267; Letter from Stuart M. Speiser (for the Nat'l Ass'n of Claimants' Comp. Att'y's) to President Eisenhower, March 15, 1956, ACC Doc. op. cit. *supra* note 1, Attachment 5, at 3;
However, there is no legal possibility of providing an exempting reservation to this article. The alternative, therefore, is not "for or against Article 22," but "for or against the Convention."

**A. Fairness Of The Convention To The Passenger**

A treaty provision can only be evaluated in its natural context; i.e., within the Convention as a whole. Whether the "conciliation of interests" between air carriers and air passengers has gone "wholly to the advantage of the carriers," as Professor Eliescu from the Rumanian People's Republic maintained in 1958, must be decided after consideration of all relevant provisions of the Convention.

1. The Convention has established a uniform presumption of liability on the carrier's side (Article 20). Without the Convention, common law liability rules would require the passenger to prove the carrier's negligence unless "the case speaks for itself" (res ipsa loquitur), which again could be rebutted by the carrier. The "res ipsa" doctrine, doubtful in its application in general, has proven rather unsatisfactory in aviation cases, and would not, in any event, be available to American passengers suing abroad. In 1952, the United Kingdom abandoned this common law liability scheme in the field of air transport, and adopted the rules of the Warsaw Convention as its domestic air law.

2. The Convention protects passengers against lower limitations and contractual waivers of liability. It renders the carrier liable without...
limitation if it fails to issue the proper "Warsaw" passenger ticket (Article 3, paragraph 2), and in the case of its or its agents' wilful mis-

...it does not limit the liability of aircraft and component manufacturers, airport owners and operators, governmental agencies, maintenance organizations, etc.

3. The Convention grants to the passenger a choice among four jurisdic-

dictions in which to bring his action: the carrier's domicile, its principal

...place of business through which the contract was made, or at the place of

...destination. Without the Convention, actions arising from accidents abroad would not only be governed by foreign law,

...but, according to the wrongful death statutes of several states of the Union such as Illinois and Wisconsin, some American courts would even "close their doors"; i.e., refuse to take jurisdiction, and instead send the plaintiff to some foreign court.

It is noteworthy that out of the 40 American cases dealing with pas-

...senger death or injury in international air carriage—37 of which involved

...the Warsaw Convention—only seven arose from accidents within the United States, six from accidents on the High Seas, and 27 from accidents in the territory of foreign states.

The countries to which plaintiffs—mostly American citizens—would have been referred for their actions, include Portugal, Canada, India, Ireland, Brazil, Scotland, Italy, Greece, Jamaica, Mexico and Liberia.

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24 The "lex loci delicti" doctrine is constantly applied by some American courts, despite its inadequacy for modern air transport law. Cf. Calkins, supra note 6, at 233; see also infra, text at notes 216 through 223.


26 Wis. Stat. (1949), § 331.03.


4. The foregoing would make it clear that the Convention has improved the American passenger's legal position in international air carriage. In exchange, "balances were sought to be struck between passengers and carriers." The principle of limited liability provides such a balance, as Secretary of State Hull indicated in his letter to President Franklin D. Roosevelt. This letter has been quoted with approval by the courts.

B. Public Policy And Limitations Of Liability

Even if the principle of limited liability is evaluated independently and out of its treaty context, it is difficult to see why it should be "indefensible morally, sociologically, and economically." The reference to morals, sociology and economics apparently purports to imply that the limitation is contrary to public policy.

1. Limitations of liability can hardly be contrary to the public policy of those American states which have Workmen's Compensation or Wrongful Death statutes which limit recovery to maximum amounts. However, since the Warsaw Convention as a treaty constitutes part of the "supreme law of the land," "overriding state law and policies," the question is one of federal public policy. This issue has been decided by the courts which have held (1) that the limitation provision does not infringe on the constitutional right of Congress to regulate commerce; and (2) that it does not deprive American citizens of their constitutional right to trial by jury.

2. A comparison with the laws of other civilized countries hardly supports the allegation that limited liability is an "immoral" principle. The liability rules of the Warsaw Convention have been adopted with little or no change, for the domestic air laws of the following states: the United States.

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29 Markowitz, J., in Berner v. United Airlines, 4 Av. Cases 17,924, 17,926 (1956).
32 Ravage, Siff, Speiser, dissent supra note 11, at 268.
34 U.S. Const. art. VI, clause 2.
Kingdom,18 France,19 Belgium, Luxemburg, Greece and Switzerland.20 The principles of the Convention, including what is alleged to be “so basically bad a principle as limitation of liability,”21 have become a model for national legislation throughout the world, and were incorporated in the domestic air law of such countries as Norway, Sweden, Denmark,22 Austria, Germany,23 the Netherlands, Italy, Argentina, Brazil, Uruguay, and Mexico.24

Limitations of liability have been embodied in other international conventions on air law, maritime law, and nuclear energy law.25 The only official declaration of a public policy against limitation of liability in international air transport comes from the so-called (East) German Democratic Republic:

[T]he principle of limitation of liability to arbitrary maximum amounts is—at least with respect to personal damages—contrary to the socialist principle that the damage actually caused must be fully compensated.26

3. If there is such a thing as “sociological” justification of unlimited liability—and of its consequences in the form of higher transportation fares—it is certainly not free from objections. In the United States, the average net recovery by passengers against air carriers in cases where the Warsaw Convention was not applicable, has been estimated at $15,000 in 1956,27 even lower than the Hague limits. The only social group which would benefit from unlimited liability—at the expense of all other paying passengers—is the group of “above-average” travellers (higher earnings, higher life expectancy) who could best afford to obtain individual insurance for their exceptional risk.28
4. There remains the argument of the economic inadequacy of the limitations in the United States; i.e., that plaintiffs before an American court should be entitled to recovery adequate to the American standard of living, and uninhibited by an international average.

It must be admitted that efforts to set uniform amounts of recovery are in the borderland of feasible international unification. Although the monetary value of 250,000 gold francs (Article 22, paragraph 5 of the Hague Protocol) may be the same in all member countries, this standard does not take into account differences in the national average income per capita which determines the standards of damage compensation. Not only the so-called underdeveloped countries, but also Western Europe lags far behind the United States and Canada in this respect.

C. Alternatives To Withdrawal

The economic argument seems to be the essential motif of those urging the United States to withdraw from the Warsaw Convention and to "replace it" by national legislation. However, it is not correct to say that "the duly elected representatives of the American people can draft their own legislation which would make the [Warsaw Convention] benefits available in a constitutional manner." Without the Convention, national legislation cannot grant to American plaintiffs a choice of jurisdiction including foreign courts. Without the Convention, it cannot protect American citizens before foreign courts, who will then apply their own laws instead of treaty provisions. On the other hand, U.S. legislation for higher limits or for no limitations at all, will attract foreign plaintiffs—not to fly on American flag airlines—but to sue in American courts.

1. As another remedy, it has been proposed to raise the limits of liability of the Hague Protocol once more, to an amount adequate to the standards of damage compensation in this country. Since there does not appear to be much chance to reach international agreement on higher limits, a unilateral increase of the limitation amounts, based on Article 22, paragraph 1 of the Convention, is considered.

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58 "If there is any field in which unification of the law on a world wide basis would be inappropriate, it is the field of the amount of damages to be paid in case of death or injuries. For in few areas local views and circumstances of a social and economic character are of such importance." Drion, op. cit. supra note 58, at 42.

60 A rule of thumb for the courts' calculation of damages for wrongful death is to multiply the victim's annual income with years of life expectancy; see Tuller v. K.L.M., 292 F.2d 775 (D.C. Cir. 1961).

61 In a comparison of American and European air transport, Dutoit, L'Aviation et L'Europe 13 (Lausanne 1959), points out the difference between the annual per capita income in the United States ($2,300) and in Europe ($770).

62 Letter from Speiser to President Eisenhower, supra note 11, at 4: "In shackling our citizens to the economic and moral standards of other nations, many of them backwards, undemocratic or even totalitarian, the Warsaw Convention affords a perfect example of the evils at which the Bricker Amendment is aimed."

66 Relying on Art. 22 of the Convention (allowing for higher limits of liability by special agreement between carriers and passengers), Caplan, in 1961 J. Bus. L. 282, says: "If carriers voluntarily agreed to offer higher limits (or even no limits at all) or if British carriers were persuaded to do so by the Minister with the authority of Parliament, there is no need to fear chaos."
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If higher limits were imposed by one state on both national and foreign carriers, other states would presumably interpret this as a violation of the Warsaw Convention. On the other hand, if the increased amounts would apply to national carriers only, these carriers are likely to protest against being "penalized" in their competition with foreign carriers.

2. There is, however, an alternative way of dealing with the problem of recovery on a national scale, which has already been followed by several countries. By statutory implementation of the Convention, the bulk of passengers' compensation can be separated entirely from the issue of carriers' liability. The Convention cannot be replaced by national legislation—but it can be implemented.

II. THE CASE FOR STATUTORY IMPLEMENTATION

The Warsaw Convention is by no means perfect. Either deliberately or by omission, a number of questions were left open which, according to the background drafting documents, would presumably be resolved by national law.

A. Need For Legislation

Foreign states have made ample use of this privilege to enact statutes implementing the Convention. Although American courts have emphasized the need for implementing legislation, too, and sometimes have even wrongly assumed that it had already been passed, no such steps have been taken in the United States. As a result, American plaintiffs are being denied rights under the Warsaw Convention which plaintiffs in other countries have long since obtained.

The point, however, should be clear: This is not the fault of the Convention, but purely and simply the failure of Congress to enact the necessary legislation.

Among the numerous matters which could be settled by implementing legislation are the following: cause of action, persons who have a right

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66 This was the view of the majority of the delegates at the ICAO Legal Committee's 5th Session, Rio de Janeiro (1953), see ICAO Doc. 7450-LC/136, vol. I, 163-161. But cf. the statements by the British delegate, Sir Richard Wilberforce, ibid.
72 Art. 24, para. 1: "... any action for damages, however founded, . . ." (Emphasis supplied.)
to sue, extent of damages, standards of care, liability for handbaggage and personal objects, and other items.

While it would be highly desirable to settle as many of these matters as possible, we are concerned here only with those directly affecting the passenger's right of recovery.

It is submitted that implementing legislation can provide air passenger compensation which is harmonious with both the Warsaw Convention and national economic standards. This is illustrated by a comparative study of similar compensation systems here and abroad.

B. Comparative Survey Of Passengers' Compensation Schemes

It will be useful first to enumerate the various compensation schemes for air passengers which hitherto have been outlined in theory or adopted in practice.

1. Plans for an International Air Passenger Compensation System

As early as 1922, Professor Ripert proposed an international system of compulsory accident insurance for the benefit of air passengers. Similar proposals were discussed during the following years in the Comité Juridique International de l'Aviation, in the Comité International Technique d'Experts Juridiques Aériens and in the International Air Traffic Association.

After the Warsaw Convention was concluded in 1929, Kattal in 1931 urged addition of a provision relating to compulsory passenger accident insurance. When in 1948 the issue of compulsory insurance was raised again, the ICAO Legal Committee decided to leave it to national regulation. New proposals for compulsory liability insurance in 1953 led to a resolution at the Hague Conference in 1955, calling for a study of such a system.
2. Contractual Passenger Accident Insurance by Air Carriers

While most international airlines presently carry liability insurance, there are also four carriers who voluntarily offer personal accident insurance, included in the price of the passenger ticket. These are Swiss Air, Air France, Union Aeromaritime de Transports (UAT), and Transports Aeriens Intercontinentaux (TAI).

The International Air Transport Association seems to disapprove the offer of gratuitous accident insurance to air passengers, as an indirect "under-cutting" of its price-cartel. Following certain IATA-Resolutions, Swiss Air had to change the terms of its personal accident insurance into "admitted liability insurance"; the French carriers do not publicize their insurance policy.

3. Statutory Air Passenger Insurance

There are two groups of states where air carriers are subject to compulsory insurance for passenger damages:

a. Brazil, Mexico and Argentina require proof of liability insurance, or similar guarantees, for all damages likely to be caused by aircraft to Conference . . . recommends to the Council of the International Civil Aviation Organization that it instruct the Secretariat and Legal Committee (a) to make a study of a system of guarantees for the payment of compensation in the case of liability of the air carrier, in pursuance of the Warsaw Convention; and, if it is considered advisable, (b) to ask the States for information concerning the provisions of national legislations which have adopted such a system, as well as their opinion as to the possibility of extending the system to international air transport, by means of compulsory insurance, a bank guarantee or a cash deposit.

b. Similarly, in the United States, attempts at supplying free accident insurance to passengers ("guest voluntary settlement") have apparently been considered as "unlawful rebate" by other competitors. See Ehrenzweig, "Full Aid" Insurance for the Traffic Victim 56, n. 152 (1954).

The Air France insurance policy is printed only in the interne Manuel de Passage, c. B 11/4.01; for a translation see Weimann, Die obligatorische Fluggastunfallversicherung gemäss 29g LGV, 2 Z. Luftrecht 288, n. 28 (1953).
passengers, persons or property on the ground. In addition, Brazil and Argentina require proof of personal accident insurance for the benefit of flying personnel.

b. Whereas most European countries also require liability insurance or similar guarantees for third-party damages, four countries have imposed by statute “group accident insurance” for the benefit of air passengers. These are Italy, Germany, Austria, and Spain.

4. Proposals for Air Passenger Insurance in the United States

a. Uniform state legislation on aviation liability, including passenger accident insurance, was first proposed in 1934 by a study group for the Uniform Law Commissioners, consisting of Dean Wigmore, Professor Goodrich, Professor Knauth, and other scholars; but the plan

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89 Compulsory liability insurance was also stipulated in § 29 of the pre-war German Aviation Act (Luftverkehrs-Gesetz); see 1922 Reichs-Gesetzblatt I. 681, 1916 R. G. Bl. I. 673, 1938 R. G. Bl. I. 1246. It has since been replaced—with respect to passengers—by group accident insurance (infra note 98). Cf. Bodenschatz, supra note 86, at 242.

90 Brazilian Code, art. 115; Argentinian Code, art. 170. In October 1926, the Air Transport Committee of the International Chamber of Commerce had proposed an international convention on compulsory accident insurance for all flying personnel. See I Zeitschrift für das Gesamte Luftrecht, Supp. 127 (1928).

91 “The Operator of regular airlines must insure each passenger against the flight accidents for the sum of 160,000 Lire. In default, the Operator is bound for the indemnities and amounts which would be due by the Underwriter, within the limits foreseen by the provisions on the obligatory insurance of passengers.” Codice della Navigazione, March 30, 1942, No. 327, Gazzetta Ufficiale No. 93, (April 18, 1942), art. 941. Translation, Manca, The Italian Code of Navigation 358 (Milan 1938). Today, coverage is up to 5,200,000 Lire; see Bodenschatz, supra note 86, at 234. In addition, the insurance covers costs of passenger salvage and rescue up to 2,000,000 Lire (Art. 999). In general see Ferrarini, Le assicurazioni nel codice della navigazione, 8 Assicurazioni I. 268 (1941); Giannini, Sulle assicurazioni aeronautiche, 19 Assicurazioni I. 210 (1912); Fiorentino, Le assicurazioni aeronautiche obbligatorie, 19 Assicurazioni I. 303 (1912); Donati, Le assicurazioni per la responsabilità dell'esercente aereo, 21 Rivista del Diritto della Navigazione I. 112 (1915); Marino, Aspetti e problemi delle assicurazioni aeronautiche italiane, 24 Assicurazioni I. 168, 262 (1917), in Study in Onore D'Antonio Ambrosini (Milan 1937); Longoni, Rassegna di dottrina e giurisprudenza in tema di assicurazioni sul trasporto marittimo, aereo e terrestre di merci, 27 Assicurazioni I. 417, 446 (1960).

92 “Air carriers shall be under a duty to insure passengers against accidents (Article 44). The minimum amount of such insurance shall be thirty-five thousand German Marks for death or permanent total disability. Any claim for damages shall be considered satisfied to the extent that it is paid by such accident insurance.” Federal Aviation Act (Luftverkehrs-Gesetz), Jan. 10, 1934, § 29, in Strauss, supra note 98, at 450, 467. The “obligatory passenger accident insurance” was first introduced in 1943; see 1943 Reichs-Gesetzblatt I. 69, § 29(g). In general see Düring, Die Luftversicherung: Entwicklung, Recht und Technik, 42 Veröffentlichungen des Deutschen Vereins für Versicherungswissenschaft (Berlin 1928); Wussow, Unfallversicherung und Sozialversicherungsträger, 1944 Deutsches Recht 564; Wimmer, Haftung und Versicherung im Passagierluftverkehr, 7 Versicherungswirtschaft No. 11 (1912); id., Die deutsche Luftfahrtsversicherung und ihre Probleme in der Nachkriegszeit, 2 Z. Luftrecht 213 (1935); id., Deutsches Luftfahrtversicherungsrecht, zugleich in internationaler Betrachtung, in Beiträge zum Internationalen Luftrecht (Festschrift für Alex Meyer) 144 (Düsseldorf 1934); Schmerzke, Luftfahrt und Versicherung, (Berlin 1954); Wei mar, supra note 91; Bodenschatz, supra note 86.

93 Pursuant to the Austrian Federal Aviation Act (Luftfahr-Gesetz), of Dec. 2, 1917, 1917 Bundes-Gesetzblatt 1403, § 151, para. 1, the relevant provisions of the 1943 German Aviation Act (supra note 98) apply, with the insurance coverage raised to 120,000 Austrian Schillings. Translation see Strauss, supra note 2, at 218, 256.

94 Ley de Navegacion Aérea, Boletín Oficial (July 21, 1960), c. 14, provides for coverage to 200,000 Pesetas in case of death, and from 50,000 to 200,000 Pesetas in case of bodily injury. See Tapia Salinas, La Ley Española de Navegacion Aérea, 69 Ciencia Aeronautica 6 (1960). The Spanish railroad's obligatory passenger accident insurance of 1929 was first extended to road and air transport in 1941, implemented in 1942 by regulations of the Treasury Dept. (Ministerio de Hacienda). In general, see François and Saporta, Les assurances aériennes en Espagne, 13 Rev. Gen. Air 855 (1950).

95 The proposed Uniform Aviation Liability Act was based on strict liability, limited “to a fixed schedule like a personal accident policy if the carrier provided such insurance for direct benefit of the passenger.” See Knauth, Aviation Law and Maritime Law, 3 Chicago B. Record
was put off "until after the war." After a new proposal by Kuehnl in 1948, the National Conference of Commissioners on Uniform State Laws in 1953 drafted a "Uniform Aircraft Financial Responsibility Act," which was similar to statutes enacted in Illinois and Indiana.

b. Federal legislation on this subject was urged by Bukler in 1940. The Sweeney Report to the Civil Aeronautics Board in 1941 concluded that a system of limited liability coupled with compulsory insurance, established by federal legislation, would be the most feasible and desirable solution of the aviation liability problem, and its adoption would be in the best interests of aviation and of the general public. As an alternate program, it proposed to vest a federal agency with regulatory power to require aircraft operators to carry "admitted liability insurance" with respect to revenue passengers, persons and property on the ground. From 1943 to 1951, several unsuccessful bills were introduced in congress to this effect. In 1952, the Civil Aeronautics Board issued draft "Insurance Requirements for Air Carriers and Foreign Air Carriers," but after strong opposition from the air transport industry the draft was withdrawn. Among proposals from legal writers were Abramson's plan for a "Federal Aircraft Financial Responsibility Act" in 1953, Ehrenzweig's "Full Aid Insurance" plan in 1954, and Hardman's plan for compulsory

199, 207 (1954); see also 1938 National Conference Uniform Aviation Liability Act, 11 J. Air L. 726 (1940).

102 Knauth, supra note 101, at 207.

103 Kuehnl, Uniform State Aviation Liability Legislation, 1948 Wis. L. Rev. 316.


109 "This insurance would be payable directly to the injured party or his representative upon proof that his injury was directly due to the operation of the particular aircraft in question, regardless of the circumstances of impact, upon condition that such recipient execute a valid release of all claims against the insured and against all persons acting on his behalf. Under such a statute, the injured party, or his representative, would have the option of rejecting the accident insurance and of suing at common law for an unlimited amount of damages." Sweeney, supra note 108, at 325.


113 CAB Release No. 13-31 (June 10, 1953): "[B]ecause of possible statutory limitation, and because the facts indicate that air carriers in general now have adequate coverage for insurance, [the Board] will not issue a regulation requiring all carriers to show financial responsibility with respect to adequate insurance coverage to cover possible claims arising out of injury or damage to passengers and to persons on the ground." See Abramson, supra note 104, at 53.

114 Abramson, supra note 104.

115 Ehrenzweig, supra note 89. Although primarily designed for road traffic, the plan contained a comparative study of foreign air laws (at 26). It proposed "full aid" insurance under a fixed schedule, keyed to minimum needs of low income groups, accompanied by legislation relieving properly insured drivers from all tort liability. See also Ehrenzweig, "Full Aid" Insurance
liability insurance and absolute limited liability of air carriers, in 1961.118 c. Among comments on ratification of the Hague Protocol, received by the President's Air Coordinating Committee in 1956-1957, were suggestions for passenger accident insurance by Calkins117 and by the New Jersey State Bar Association.118

C. Compensation And Liability

The various compensation systems for air passengers may be grouped in a few broad categories, according to whether they are based on, a basis for, a substitute for, or independent of, the air carrier's liability.

1. Liability Insurance and Financial Responsibility

In order to avoid the "shock effect" of individual judgments,119 air carriers may either build a special claims' fund (self-insurance),120 or "contract out" of the liability imposed on them under national laws and under international conventions, by taking liability insurance.121 The costs of this insurance or funding—compensation based on liability—are part of an airline's ordinary business costs and, as such, are always spread on to the users.

The idea of making this kind of insurance compulsory ("financial responsibility") was inspired by automobile accident law,122 and has been widely accepted in the field of aircraft liability for damages to third parties on the surface.123 The same system has been extended to the field of passenger damages in three Latin-American countries,124 in some international proposals,125 and in some unsuccessful legislative and administrative attempts in the United States.126

118 Hardman, supra note 16.
117 See ACC Doc., supra note 1, Attachment 3, at 3: "Conceivably there could be a system with no exclusions [from risk], and the additional cost of insurance coverage passed on to the users. (Switzerland has such a system, and that country is neither "socialistic" nor anti-insurance!)."
116 See ACC Doc., supra note 1, Attachment 2: Urging that legislation be passed "requiring every air carrier who claims coverage of the Convention on tickets sold and delivered in the United States to offer for sale with such tickets a policy of insurance extending coverage for liability for injury or death to full indemnity or to the face value stated in excess of the coverage provided under the amended Convention, unless the passenger waives, in writing his right to purchase such additional coverage."
114 Cf. Trans Canada Airlines has such a fund.
113 Most certificated carriers in the United States carry such insurance, see Tipton and Bernhard, supra note 112, at 75; CAB Release, supra note 113.
112 Cf. Abramson, supra note 104, at 62. Nearly all countries have now introduced compulsory automobile liability insurance; see Ehrenzweig, op. cit. supra note 89, at 46. The question posed by Kuvin, A Critique of Plans for Auto Accident Compensation, 1961 Ins. L.J. 314, 348, whether the European states still "keep the compensation system," would appear to be answered by the European Convention Relating to Compulsory Liability Insurance of Automobiles, signed at Strasbourg (1959); see 26 Assicurazioni II. 15 (1959). In Massachusetts, New York, and North Carolina, there exist similar statutes; other North-American states have so-called "Financial" or "Safety Responsibility" Laws (Highway Victims Indemnity Acts), which however offer a lesser degree of protection to victims of the driver's first accident. See, e.g., Grad, Recent Developments in Automobile Accident Compensation, 50 Col. L. Rev. 300, 305 (1950).
111 Cf. Rome Convention (1912), supra note 51, and national air laws in Western Europe (e.g., German Federal Aviation Act of 1959, supra note 98, § 43) and Latin-America (e.g., Brazilian, Mexican, Argentinian laws, supra notes 92, 93, 94).
110 See supra notes 92, 93, 94.
109 See text at notes 104, 111, 114, 116.
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2. Passenger Accident Insurance

Instead of insuring its own liability risk, an air carrier may take group insurance for the accident risk of its passengers. This type of "passenger accident insurance," also called "automatic accident insurance" or "admitted liability insurance," was first introduced more than 30 years ago by German, French, and Swiss airlines, and subsequently became mandatory in a number of European countries. After World War II, the United States government reportedly also imposed passenger accident insurance on British carriers using U.S. military airports in Britain.

Mandatory passenger accident insurance is similar in principal to Workmen's Compensation. In both fields, however, various compensation systems are conceivable, which differ particularly when it comes to the question of liability:

a. Passenger accident insurance may be coupled with strict liability (liability regardless of fault, enterprise liability, liability for risk, absolute liability), as in the new Spanish Air Law of 1960, or as proposed elsewhere.

b. Another group of proposals would a priori replace the carrier's

137 Sweeney, supra note 108, at 125; Swiss Air policy, text supra at note 90.
138 See Döring, supra note 98, at 121 (Lufthansa, in 1926); Kastal, supra note 80, at 27 fn. (CIDNA, France); Lemoine, supra note 87, at 196 (Air France); Arndt, Die Haftung des Luftfahrzeughalters aus Transportvertrag unter besonderer Berücksichtigung ihrer Ablösung durch die obligatorische Unfallversicherung 39, n. 138, Thesis, Zürich (1912) (Swiss Air).
139 See the statutes of Italy, West-Germany, Austria, and Spain, supra notes 97 through 100. Although Swiss Air is not required by law to carry passenger accident insurance, it does so on "governmental request"; for this information I am indebted to Dr. Schweickhardt, Legal Adviser of Swiss Air (letter of Dec. 13, 1961). Air France, which also offers passenger accident insurance, is a government corporation itself; cf. Gourrier, Le régime administratif de la compagnie nationale Air France, Thesis, Paris (1953).
140 See supra note 89, at 22.
141 The analogy to Workmen's Compensation has been pointed out by Sweeney, supra note 108, at 179 ff.
142 See Ehrenzweig, Negligence Without Fault 12 ff. (1911); Rinck, Gefährdungshaftung (Göttingen 1960); But cf. Orr, Fault as the Basis of Liability, Paper delivered to the 4th Int'l Conference on Comparative Law in Paris 1954, see 21 J. Air L. & Com. 399 (1954). The philosophy underlying the concept of liability without fault has been discussed at great length by Calabresi, Some Thoughts on Risk Distribution and the Law of Torts, 70 Yale L.J. 499 (1961), who finds three—though sometimes inconsistent—justifications for absolute liability: (a) allocation of resources, (b) spreading of losses, (c) the "deep pocket" reasoning (shifting the burden of accident losses to the wealthiest class of litigants).
143 Supra note 100. Art. 120: "The right to compensation has its objective basis in the accident or damage, and is actionable—up to the limits of liability established by this chapter—in any case including fortuitous event, and even when the carrier, operator, or their agents and servants, prove that they acted with due care." (Translation supplied.)
144 E.g., the Uniform Aviation Liability Act proposed by Wigmore, Goodrich, and Knauth, supra note 101. Wessels, Das neue spanische Luftverkehrsrecht, 10 Z. Luftrecht 22 (1961), quotes the Spanish liability rule with full approval.
145 Arndt, supra note 128; Kastal, supra note 80; Ehrenzweig, op. cit. supra note 89, at 16 ("Tort law may well have reached the end of its usefulness in this field"); id., Towards an Automobile Compensation Plan, 11 Fed. Ins. Counsel Quar. 1, 8 (1961) ("Tort liability, the villain of the play, must be removed together with liability insurance, its accomplice"). See also Stahl, Tort Liability and Insurance, in 3 Scandinavian Studies in Law 199 (1919). Art. 116 of the Brazilian Code of the Air, supra note 92, has been interpreted as substituting insurance for liability; Francois and Saporta, supra note 92, at 8 ("une disposition curieuse"). However, this does not seem to be borne out by the terms of the article: "The carrier may provide, for additional charges, insurance on persons or property being transported, provided he proves that he has obtained general insurance coverage with a company licensed by the state in an amount equal to twice the maximum limit of liability required by an aircraft of greater capacity in service" (translation Strauss, supra note 2, at 282). Also, Ehrenzweig, Towards an Automobile Compensation Plan, supra, at 9, interprets the German Air Law as "relieving the air carrier of his liability to those passengers for whom it has taken insurance." However, the German "obligatory passenger..."
liability entirely by an accident insurance system under which the passenger could recover regardless of the carrier's fault.\textsuperscript{138} 

c. A third group of compensation schemes grants the passenger a right of choice \textit{a posteriori}: After the damage occurred, he is given an option either to accept payment of accident insurance, or to sue the carrier under ordinary liability rules.\textsuperscript{137} By accepting the insurance compensation, the passenger or his legal representative exercises a release, and loses all further claims against the carrier.\textsuperscript{138} 

d. Finally, the carrier's liability may be preserved, even when the insurance payment has been accepted; but the amounts paid under the insurance will be deducted \textit{pro tanto} from further claims against the carrier.\textsuperscript{139} This type of insurance is neither based on,\textsuperscript{140} nor a basis for,\textsuperscript{141} nor a complete substitute for,\textsuperscript{142} the carrier's liability. In other words, it is "haftungsneutral"; i.e., neutral with respect to liability.

\textsuperscript{138} American Workmen's Compensation statutes contain provisions to the effect that the remedy under the act shall be exclusive of and a substitute for the employer's tort liability unless otherwise provided. See Riesenfeld and Maxwell, Modern Social Legislation 395 (1950); Riesenfeld, \textit{Contemporary Trends in Compensation for Industrial Accidents Here and Abroad}, Paper delivered to the 4th Intl Conference on Comparative Law in Paris 1934, see 42 Calif. L. Rev. 531, 539 (1954). But cf. Riesenfeld and Maxwell, supra at 148, n. 21; and see British Law Reform (Personal Injuries) Act (1945), 11 & 12 Geo. 6, c. 41; see also Lenhoff, \textit{Social Insurance Replacing Workmen's Compensation in England}, 5 NACCA L.J. 49, 53 (1950).

\textsuperscript{139} Air France passenger insurance policy, see supra notes 87, 91; pre-war Swiss Air policy, see Arndt, supra note 128, at 39, n. 138; Sweeney, supra note 108, at 325. The insurance required of British air carriers using U.S. airports in Britain (note 130) provided for a release by the passenger of his claims against the U.S. Government; see Ehrenzweig, supra note 130. In practice, many American carriers use a similar device: it is not unusual that claims by passengers, up to $100, are settled regardless of liability, provided the claimant signs a release of all further claims.


\textsuperscript{141} "Pro tanto" extinction of liability: present Swiss Air passenger accident insurance policy, see Bodenschatz, supra note 86, at 237; German Aviation Act, supra note 98, § 50. Cf. U.S. Public Law 97-212 (1961) on Property Loss, Personal Injury or Death Incident to Aircraft or Missile Operations, H. R. 7934 (87th Cong.), 75 Stat. 488, § 2716(b); "Any amount paid under subsection (a) shall be deducted from any amount that may be allowed under any other provision of law to the person, or his legal representative, for injury, death, damage or loss attributable to the accident occurred." According to Paterson, in 38 Can. B. Rev. 635 ff. (1960), accident insurance payments reducing the pecuniary loss of the victim's family must be taken into account in calculating damages under the Warsaw Convention as enacted in the Canadian Carriage by Air Act, supra note 68, art. 17: "Unless there is to be found any statutory provisions which would require the court to exclude insurance monies from the calculation of ... 'damage sustained' ... , I believe that the court must take them into account." While this result seems objectionable as far as personal accident insurance taken and paid by the deceased himself is concerned, it would appear justified in the case of an automatic passenger accident policy provided by the carrier.

\textsuperscript{142} Cf. Bodenschatz, supra note 86, at 242; contra Weimar, supra note 91, at 221, and Abraham, Der Luftfahrtförderungvertrag 77 (Stuttgart 1951).

\textsuperscript{143} For the treatment of liability insurance as an independent basis of liability, see Ehrenzweig, \textit{Assurance Oblige}, 15 Law Contemp. Prob. 445 (1950); Gregory and Kalven, Cases and Materials on Torts 620 (1959). In the field of accident insurance, this could be avoided by a stipulation along the lines of U.S. Public Law 87-212, supra note 139, subsection (d): "Payment of any amount under subsection (a) is not an admission by the United States of liability for the accident occurred."

\textsuperscript{144} Thus preserving the "preventive effect" of liability on flight safety; see Monaco, \textit{Les assurances en droit international}, 101 Recueil des Cours de L'Academie de Droit International de la Haye 381, 401 (1960). The carrier remains liable for damages in excess of the insurance coverage in the case of his or his agents' willful misconduct (Art. 25). The action may be exercised by the passenger or by the underwriter, see art. 998 of the Italian Code; cf, also art. 1000: "The underwriter has action in recourse against the Carrier for the indemnity paid to the passenger when the damage is derived from fraud or grave fault of the Carrier or his servants
D. Mandatory Passenger Accident Insurance And International Law

There can be little doubt that any one of the compensation systems listed above can be imposed by legislation on domestic carriage as well as on the international operations of a state's own national carriers. In fact, the statutory passenger accident insurance of Spain, West Germany, and Italy, applies to both domestic and international flights of all airlines carrying the flag of these countries.

The problem of compliance with international law arises, where these insurance requirements are applied to foreign flag carriers. In practice, compulsory liability insurance, but not passenger accident insurance, has been imposed on foreign carriers so far.

Theoretically, a state may subject every foreign aircraft to its national laws, provided that this is done in a non-discriminatory manner. Aviation insurance, having been left to national regulation, is not an exception to this rule—unless the insurance requirement has the effect of changing the liability régime guaranteed by the Warsaw Convention. The relevant articles of the Convention are Articles 20, 23 and 32.

and agents (translation Manca, supra note 97, at 370). But cf. the 25th meeting of the Int'l Air Traffic Ass'n in Paris 1931, where the aviation insurers voluntarily agreed not to exercise their right of recourse against IATA airlines; see 13 Droit Aérien 282, 284 (1931). Significantly, those writers who proposed to substitute insurance for tort liability entirely, either preserved liability for wilful misconduct (Kafcal, supra note 80) or reintroduced a so-called "liability for criminal negligence" (Uhrenzweig, op. cit. supra note 89, at 33); in the air laws of Brazil and Argentina even the taking of insurance for the carrier's liability for intentional acts is prohibited (Brazilian Code, supra note 92, art. 109; Argentinian Code, supra note 94, art. 169). Cf. also the exceptional assertion of tort liability for intentional injury, in the Workmen's Compensation statutes of Arizona, Kentucky, Maryland, Oregon, Utah, West Virginia and Washington.

43 Bodenschatz, supra note 86, at 246; Möller, Paper delivered to the 4th Int'l Conference on Comparative Law in Paris 1954, see 4 Z. Luftrecht 267 (1955); Meyer, Comment, 2 Z. Luftrecht 229 (1953); contra Weimar, supra note 91, at 221.

44 See Bodenschatz, supra note 86, at 233, n. 1, 247; Marino, supra note 97, at 263. Since art. 996 of the Italian Code covers passengers in "every aircraft operated on the carrier's routes," even foreign charter aircraft would appear to be included; Bodenschatz, supra note 86, at 235.

45 Brazilian Code, supra note 92, art 107: "There shall be required of aircraft registered in a foreign country, as indemnification for damages that they may cause to persons or property on Brazilian territory, the furnishing of security at least equal or considered equivalent to that of Brazilian aircraft." (Translation Strauss, supra note 2, at 281). However, according to ICAO Doc. LC-87/16-2-48, foreign operators only had to show insurance for damages caused to third parties on the ground, up to 1,000,000 Cruzeiros per accident; see François and Saporta, supra note 92, at 9. The 1952 CAB draft, supra note 111, § 271.14, also contemplated insurance requirements for foreign air carriers.

46 Foreign airlines are not subject to the Spanish obligatory passenger insurance; see François and Saporta, supra note 100, at 892. According to Marino, supra note 97, at 263, the passenger accident insurance requirements of the Italian Code would also apply to foreign airlines engaged in international carriage to or from Italy; apparently, however, this is not done in practice. It has been suggested to extend the German passenger accident insurance requirements to foreign carriers serving the Federal Republic of Germany; see Möller, 10 Versicherungswirtschaft 124 (1955). In practice, this has not been done for policy reasons (fear of impairing the bargaining position of national carriers in commercial negotiations with the foreign countries concerned), see Bodenschatz, supra note 86, at 249.

47 Chicago Convention (1944), ICAO Doc. 7300/2 (2d ed. 1959), 15 U.N.T.S. 295, art. 11: "Subject to the provisions of this Convention, the laws and regulations of a contracting State relating to the admission to or departure from its territory of aircraft engaged in international air navigation, or to the operation and navigation of such aircraft while within its territory, shall be applied to the aircraft of all contracting States without distinction as to nationality, and shall be complied with by such aircraft upon entering or departing from or while within the territory of that State." Cf. reference made to this article by Cooper, during the discussion of insurance requirements at the ICAO Legal Committee meeting in Rio de Janeiro 1953, supra note 66, at 164.

48 Supra note 82.
1. Article 20 exonerates the carrier of his liability, if he proves that he acted with the necessary care. Compulsory insurance coupled with "strict" liability (liability without fault) is therefore contrary to the Convention, even when it is only imposed as an enforcement sanction on carriers who fail to take insurance.

2. Article 23 invalidates any provision tending to relieve the carrier of his liability. An insurance system, which has the effect of replacing a priori the carrier's liability, is therefore contrary to the Convention, too.

3. There remain three compensation schemes that are not in violation of the Warsaw Convention:
   a. Liability insurance, because it only purports to guarantee payment in the case of the carrier's liability;
   b. Accident insurance providing for a release of liability claims executed after the damage occurred, because such an a posteriori agreement is permissible under Article 32 of the Convention;
   c. Accident insurance providing for deduction of insurance payments from further claims, because this type of insurance is neutral with respect to liability.

E. Evaluation

Having eliminated the compensation schemes not in accordance with the Convention, the remaining ones can now be evaluated on their practical merits. The aim is to find the compensation system best suited to implement the Convention, so as to grant recovery to air passengers, adequate to national economic standards.

1. Passenger liability insurance, besides relying on a questionable analogy, is necessarily based on the carrier's liability for negligence (Articles 17 and 20), and thereby keyed to the limitation of liability (Article 22). The only additional advantage it would provide for passengers is guarantee of payment ("financial responsibility"); i.e., protection against an airline's insolvency. The improvement thus achieved would be negligible for

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149 "The carrier is not liable if he proves that he and his agents have taken all necessary measures to avoid the damage or that it was impossible for him or them to take such measures."

150 Art. 941, 2d sentence, of the Italian Code, supra note 97, has this effect, and consequently application of this provision to foreign air carriers would violate the Convention; contra Marino, supra note 146.

151 "Any provision tending to relieve the carrier of liability or to fix a lower limit than that which is laid down in the Convention shall be null and void, but the nullity of any such provision does not involve the nullity of the whole contract, which shall remain subject to the provisions of this Convention."

152 E.g., see Resolution B of the Hague Conference, supra note 84: "a system of guarantees for the payment of compensation in the case of liability of the air carrier . . ." (Emphasis supplied.)

153 Art. 32 invalidates clauses and special agreements infringing the rules of the Convention, if they were "entered into before the damage occurred . . ." (Emphasis supplied.) Cf. Caisse Régionale de Sécurité Sociale du Sud-Est. v. Air France, supra note 138, upholding the release coupled with the Air France passenger insurance policy.

154 See text supra at notes 139 through 142. Passenger accident insurance creates liabilities not for the carrier, but only for the underwriter. Meyer, 2 Z. Luftrecht 229 (1953); accord, Achnich, 1 Z. Luftrecht 342 (1912); Möller, supra note 143, at 211, 267; Bodenschütz, supra note 86, at 246; Contra: Weimar, supra note 91, at 226; Abraham, supra note 140, at 77; Rinck, Recent Developments in German Air Law, 23 J. Air L. & Com. 479, 488 (1956), who all seem to associate accident insurance with carrier liability.

155 See text supra at notes 122 and 123 (motor vehicle insurance, and aircraft insurance for surface damage). Unlike "third parties" on the road or on the surface, the air passenger directly contributes to the costs of the carrier's insurance, through his transportation fare; Cf. text supra at note 121.
American air passengers, and would not seem to justify introduction of a system against which serious practical objections have been raised.

What is needed is more than “financial responsibility.” At a time when air travel has ceased to be the privilege of high-income groups, it is no longer sufficient to protect those passengers who are lucky or wealthy enough to win a law suit against an airline. What is more urgently needed is social responsibility for all the other accident victims of our air transport industry.

2. Passenger accident insurance coupled with a total release at the moment of payment, would give the accident victim an option of either accepting the insurance compensation (limited recovery regardless of liability), or rejecting it and suing under the Warsaw Convention (possibly unlimited recovery based on liability).

Whether this leaves the victim a fair choice is open to argument. A passenger—or his legal representative—who rejects the insurance payment, has three chances: (a) his suit against the carrier is successful, and he recovers damages in excess of the insurance amount (Article 3, paragraph 2; Article 25); (b) his suit is successful, but he recovers only within the limits of liability (Article 22); (c) his suit is unsuccessful, and he recovers nothing at all (Article 20). Only the first alternative; i.e., a successful suit for willful misconduct, would make rejection of the insurance compensation advisable. Such a rejection will, in any event, deprive the victim of the “first aid” advantage of the insurance. However, for a passenger to decide at the moment of the insurance offer whether the carrier might be guilty of willful misconduct is ordinarily impossible, and to reject the insurance compensation on the ground of such a guess is bad gambling. Considering all these factors, the “accept-or-sue” option gives the accident victim what is commonly called “Hobson’s choice,” and in practice will have the effect of excluding liability claims against carriers a priori.

3. Passenger accident insurance, pro tanto deductible from further claims, would appear as the most advantageous compensation scheme for air passengers. It grants quick relief in all cases, regardless of the carrier’s liability, without litigation, and without attorney’s fees. It does not, however, deprive the accident victim of the possibility of suing the carrier under Article 25 of the Convention within two years (Article 29).

Although in practice the coverage amounts of passenger accident insurance are usually set at the same level as the Warsaw or Hague limits, they are theoretically independent of liability limitations. At the ICAO Legal Committee meeting of 1953, most delegates expressed opposition...
to possible national insurance requirements, as well as liability requirements, in excess of the Warsaw limits. However, a Spanish proposal to enjoin member states from imposing either higher limits of liability, or higher insurance coverage, was not adopted.

It is submitted that mandatory accident insurance of a "neutral" type, which would not prejudice the carrier's liability position, is permissible even if the coverage required exceeds the limits of liability set at Warsaw and at The Hague. If applied to all carriers on a non-discriminatory basis, it is within the national jurisdiction recognized by Article 11 of the Chicago Convention, no less than air safety requirements, airport taxes, or the mandatory approval of passenger tariffs.

III. BLUEPRINT FOR AN AIR PASSENGER COMPENSATION PLAN

For an outline of a passenger accident compensation system, valuable experience may be drawn from similar schemes set up abroad, and from the well-established system of Workmen's Compensation in this country.

A. Organization

There are essentially three ways of setting up an accident compensation scheme (although, certainly, many combinations are conceivable).

1. Carriers may be required by statute to take group accident insurance with an insurance company. This is the method employed by those European countries where mandatory passenger accident insurance is in existence. It should be noted, however, that these countries have either nationalized insurance corporations, or have a more or less cartelized aviation insurance industry subject to nation-wide public control of policy terms and premium rates. Adapting a similar system in the United States would create problems for several reasons.

a. Although insurance is within the realm of federal jurisdiction, the Civil Aeronautics Board is not equipped to assume the functions of a "super insurance commission" controlling aviation insurance policies and rates;

b. Bureaucratic intervention in private insurance operations, such as standardization of rates and policies, would presumably result in a financial

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162 Ibid.
163 Supra note 147.
164 Italy, West-Germany, Austria, Spain, see supra notes 97 through 100. In the field of Workmen's Compensation, Texas has a statute imposing insurance with private underwriters on employers. See Riesenfeld, Efficacy and Costs of Workmen's Compensation, 49 Calif. L. Rev. 631, 655 (1961).
165 In Spain, the "Comisaria" for Obligatory Passenger Insurance, supervised by the "Direccion General" of Banking, Stock Exchange and Investments, as well as by the Ministry of Public Works (1942 Regulation, art. 11). See Francois and Saporta, supra note 100, at 888 ff.; Bodenschatz, supra note 86, at 233.
166 In Switzerland, the Swiss Pool for Aviation Insurance (1947), see Kubli, supra note 86; Guldimann and Vogel, supra note 86, at 244. In Germany, the "Deutscher Luftpool" (1924), see Wimmer, 2 Z. Luftrecht 213 (1931).
167 E.g., the German Federal Insurance Agency ("Bundesaufsichtsamt für das Versicherungs- und Bausparkassen") the Federal Ministry of Transport can influence aviation insurance coverage through this agency, see Bodenschatz, supra note 86, at 243.
169 Tipton and Bernhard, supra note 112, at 78.
overhead that might well become a needless and socially wasteful burden on the industry;\textsuperscript{176}

c. A substantial part of the new business generated would probably go to foreign insurance companies, who already underwrite part of the present liability insurance of American air carriers,\textsuperscript{177} and whose operations are beyond U.S. control.

2. Carriers may be required to contribute to a public compensation fund, from which all accident claims are then to be satisfied. This is the solution adopted for Workmen's Compensation by 19 states in this country.\textsuperscript{178} In six of them, participation in the state fund is mandatory,\textsuperscript{179} and contributions to the fund have the nature of an excise tax.\textsuperscript{180} Two states accept self-insurance alternatively,\textsuperscript{181} and in the other eleven jurisdictions the state fund competes with both private insurance companies and self-insurance.\textsuperscript{182}

Considering the fundamental reforms through public intervention which a similar system for aviation accident compensation would require,\textsuperscript{183} it would not easily be adopted in the United States.

3. The third method can be described as “collective self-insurance” by the air transport industry. There could be a special mutual liability association of air carriers, similar to the employers’ insurance association for writing compensation insurance, which existed in Massachusetts\textsuperscript{184} and in Texas,\textsuperscript{185} and which were encouraged by other jurisdictions\textsuperscript{186} in the field of Workmen's Compensation.\textsuperscript{187} American international air carriers could set up a joint compensation fund financed by contributions from member airlines. The fund would handle all claims from air passengers arising out of accidents which occurred on international carriage to and from the United States. Whether participation in the fund were to be mandatory for both American and foreign flag carriers serving this country is a question of policy.

It is interesting to note that similar plans have been put forward on an international scale. In 1928 the International Air Traffic Association discussed proposals for a “coopérative d’assurances” among member air-

\textsuperscript{176} Cf. the situation in American Workmen’s Compensation, where the National Council on Compensation Insurance in its Annual Report for 1960, at 1, suggests an expense loading factor of 37.7\% of the net premium dollar. See Riesenfeld, Basic Problems in the Administration of Workmen’s Compensation, 36 Minn. L. Rev. 119, 138 (1952); Riesenfeld, supra note 164, at 616.

\textsuperscript{177} See Tipton and Bernhard, supra note 112, at 78.

\textsuperscript{178} Riesenfeld and Maxwell, supra note 136, at 147. This type of fund is comparable to the “Caisses régionales de sécurité sociale” in France; cf. Riesenfeld, supra note 136, at 557, n. 167.

\textsuperscript{179} “Monopolistic” or “exclusive” state funds: Nevada, North Dakota, Oregon, Puerto Rico, Washington, and Wyoming.


\textsuperscript{181} Ohio and West Virginia.

\textsuperscript{182} “Competitive” state funds: Arizona, California, Colorado, Idaho, Maryland, Michigan, Montana, New York, Oklahoma, Pennsylvania and Utah.

\textsuperscript{183} There is also the argument that such a reform should not discriminate against, or “penalize,” the air transport industry as compared with other industries.


\textsuperscript{185} Texas Gen. Laws, c. 179 (1913).

\textsuperscript{186} Indiana, Iowa, Minnesota, Nebras. See Riesenfeld and Maxwell, supra note 136, at 148, n. 23.

\textsuperscript{187} These associations are comparable to, and were partly inspired by, the German “Berufsgenossenschaften.” See Riesenfeld, supra note 136, at 557, n. 167.
Establishment of a national compensation scheme in this form might well become a nucleus for a wider fund including all air carriers engaged in international carriage.

B. Enforcement

Either of two methods may be used to require air carriers to obtain accident insurance—increased liability as a penalty in case of non-compliance, or administrative sanctions.

The imposition of strict liability on carriers who fail to take insurance may be the most effective way of enforcement with domestic air carriers, but it would appear to be contrary to the liability régime of the Warsaw Convention. In administrative enforcement civil aviation authorities usually require proof of insurance as a condition for granting airworthiness certificates or operating licenses.

C. Costs

Passenger accident insurance would partly replace the airlines' liability insurance or self-insurance, for insofar as the carriage is covered by accident insurance, no liability claims against the carrier will arise. The need for liability insurance or funding would remain only for claims exceeding the accident insurance coverage.

A cost calculation for the passenger accident insurance scheme will therefore have to take into account a sizeable reduction of business costs incurred through purchasing liability insurance and funding self-insurance plans.

Group insurance by the airline would also put to an end most of the

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183 A proper forum for such an international plan would be the Int'l Air Transport Ass'n which has as its active members the majority of the world's airlines, and which already operates a highly successful international financial institution, the IATA Clearing House in London, (annual turn-over $2 billion). See Capdeville, La Chambre de Compensación de l'I.A.T.A., 10 Rev. Franc. Droit Aérien 349 (1956).
184 Italian Code of Navigation, art. 941, 2d sentence, supra note 97. In most American Workmen's Compensation statutes the non-insurer is deprived of the so-called common-law defenses (i.e., contributory negligence, assumption of risk, negligence of fellow-servant). In California the non-insurer is subject to a statutory presumption of negligence; see Calif. Labor Code, § 3708; cf. Chakmakjian v. Lowe, 33 Cal.2d 308, 201 P.2d 801 (1949). In Massachusetts, he is subject to strict liability; see Mass. Ann. Laws (1910 and 1913 Supp.), c. 112, §§ 66, 67; cf. Zarba v. Lane, 322 Mass. 112, 76 N.E.2d 318 (1947). Failure to take insurance has also been construed as a basis for strict liability in other countries, e.g., see a Norwegian case, 1940 Norsk Retsstidende 16, quoted by Strahl, Förberedande Utredning Angaende Lagstifnign pa Skadestandsrättens Omrade 138 n. 80 (1931).
185 Another method, proposed by the "Uniform Aircraft Financial Responsibility Act" of 1951, supra note 104, is to impose an obligation to deposit security on un-insured carriers who encounter an accident. But cf. the critique by Grad, supra note 122, at 305, and by Ehrenzweig, supra note 131, at 7, of similar devices in automobile accident law.
186 See text supra at note 130.
187 Brazilian Code of the Air, supra note 92, art. 105, 106.
188 The German Federal Ministry of Transport, pursuant to § 32, para. 12 of the Aviation Act, decreed that no approval of operating certificates will be granted unless the carrier shows insurance taken with a nationally licensed underwriter. Letter from Fed. Minister of Transport to Land Ministers of Transport (Dec. 29, 1955), see 1956 Verkehrsblatt (No. 1) B.
189 See text supra at notes 120, 121.
190 "Pro tanto" extinction, see note 139.
191 As a result, airlines will carry a combined accident/liability insurance. For Germany, see Achtnich, 1 Z. Luftrecht 342 (1952); for Italy, Bodenschatz, supra note 86, at 231.
192 Insurance costs could be reduced, or even "minimized, if its burden were shifted to the
"multiple-insurance" loss which the traditional system generated. No longer would the passenger insure, by his (optional) personal accident insurance, the same risk which is already partly covered by the carrier's liability insurance.\footnote{183}

A rough comparison of the price of personal accident insurance presently available at United States airports,\footnote{184} and of the costs of airline group accident insurance in Switzerland,\footnote{185} France\footnote{186} and Germany,\footnote{187} shows that introduction of a passenger accident insurance would not have to be followed by a fare increase.\footnote{188}

The relatively low additional costs of group accident insurance would also appear to make unnecessary the "double-fare" solution which was suggested in 1956,\footnote{189} not to mention the complications in fare-structures which are likely to ensue from such a system.\footnote{190}

\section{D. Coverage}

Calculation of the necessary minimum insurance coverage is based upon the expected measure of risk, and in this respect is similar to the calculation of limitations of liability such as the Warsaw and Hague limits. There are three methods of translating this "generalized measure of risk" into monetary amounts of insurance coverage:

1. The amount can be fixed by the statute, either as a flat sum,\footnote{191} or as carrier, since all passenger liability would then be insured in one transaction." New York City Bar Ass'n Rep. \textit{supra} note 6, at 218.

This reduction of social costs by group accident insurance was pointed out by Loniewski, \textit{Assurance et Responsabilite en Matiere de Transport} (Paris 1926); see Weimar, \textit{supra} note 91, at 222.\footnote{192}

According to Tipton, \textit{Current Trends in Aviation Insurance}, 1946-47 Proceedings of ABA Section of Ins. L. 214, 217, insurance was then available at a rate of 20 cents per \$1,000 coverage. Reiber, \textit{supra} note 6, at 286, indicates the same rate for 1956, for domestic carriage and for certain international flights. Whitehead, \textit{supra} note 6, at 36, indicates that personal accident insurance for international carriage is available at air terminals at a rate of \$10 per \$125,000 coverage.\footnote{193}

The premium for Swiss Air's passenger accident insurance is approximately 1 Swiss Franc (25 cents) for 1000 passenger/kilometers, at a coverage up to 36,000 Francs (approx. \$9,000, \textit{supra} note 86). Information by courtesy of Dr. Schweickhardt, Legal Adviser Swiss Air (letter of Dec. 13, 1961).\footnote{194}

The premium for the Air France passenger accident insurance is approximately 0.85 New French Francs (17 cents) for 1000 passenger/kilometers, at a coverage up to 34,800 Francs (approx. \$7,000, \textit{supra} note 87). Information courtesy of M. Lemoine, Associate Director General Air France (letter of Dec. 15, 1961).\footnote{195}

The premium for the West-German statutory passenger accident insurance is calculated on an annual basis per available passenger-seat. It is presently 273 Deutsche Mark (\$68) plus 3\% Federal Tax, for death and disability at a coverage up to 35,000 Marks (approx. \$8,700, \textit{supra} note 98). Information courtesy of Dr. Wimmer, Deutscher Luftpool and Vice-President, Intl Union of Aviation Insurers (letter of Oct. 31, 1961).\footnote{196}

When German and French carriers first introduced their insurance plans—more than 30 years ago—they did not raise fares. Swiss Air, in reply to a survey concluded in 1952 by the Air Law Research Institute of Cologne University, indicated that the introduction of its passenger accident insurance had a negligible effect on insurance costs, which neither resulted in increased fares nor interfered with the airline's competitive position. See Achtnich, \textit{supra} note 91.\footnote{197}

New Jersey State Bar Ass'n, \textit{supra} note 118. This proposal would necessarily result in two parallel air transport fares, one including insurance, the other excluding it. In practice, the air carrier would become a sales agent of the underwriter.\footnote{198}

A similar system was considered when Lufthansa introduced its insurance plan in 1926, but it was rejected for practical reasons ("two-fare" complications). See Döring, \textit{supra} note 98, at 121. Although the Spanish Regulation of 1942, in art. 19 (mentioned in note 100), imposed the price of group accident insurance as a separate and additional charge on the passenger, information from Iberia Spanish Airlines indicates that in practice it was included in the price of the ticket. See Bodenschitz, \textit{supra} note 86, at 233, n. 1.\footnote{199}

As i the Italian and Spanish Aviation Acts, \textit{supra} notes 97, 100. See also Workmen's Compensation statutes, in U.S. Bureau of Labor Standards, Dep't of Labor Bull. No. 161;
a minimum. However, this will require frequent legislative amendments in the future, as costs of living and monetary values change.

2. The authority to set insurance requirements can be delegated to an administrative body, which could fix insurance coverage amounts on an annual basis, thus allowing for more flexibility. However, such discretionary powers would involve the risk of arbitrary decisions, based upon extra-economic factors.

3. Finally, there is the intermediate choice of a "sliding scale," whereby the statutory coverage amounts are geared to the most relevant economic index. To determine this index is an actuarial task, and well beyond the scope and capacity of this writer. Data from a number of past events, such as national income per capita, national average life expectancy, average compensation settlements, accident statistics, etc., will have to be projected into the future in order to establish the measure of risk from which concrete monetary amounts may be deduced. Any such analysis is based on assumptions, "but perhaps progress toward a more sensible allocation of accident losses cannot wait for better knowledge on which to build an ideal system."

E. Right Of Action

Since passenger accident insurance is taken for the benefit of the passenger or his legal representative, it would seem logical to grant the beneficiary a direct right of action against the underwriter, and to determine


As in the German and Austrian Acts, supra notes 98, 99.

In West Germany, the coverage amounts had to be raised from 20,000 to 35,000 Marks in 1917. Italy: (1942) 160,000 Lire, (1959) 5,200,000 Lire. Spain: (1941) 30,000 Pesetas, (1950) 40,000 Pesetas, (1959) 80,000 Pesetas, (1960) 200,000 Pesetas.

The equivalency of the Warsaw limits (125,000 gold francs) in terms of U.S. Dollars increased from $4,898 in 1929, to $8,292 in January 1953. Thus, the gold value in currency was increased 169% of the 1929 level, while the cost of living index in the same period went up to 116% of its earlier level, resulting in an 8% increase in the buying power of the gold franc within the United States. See ACC Economic Division Report, ACC Doc. 51/22, 14(A), as quoted by Orr, The Rio Revision of the Warsaw Convention, 21 J. Air L. & Com. 48 (1954). But cf. Tuller v. KLM, supra note 21, at 778, evaluating 125,000 gold francs at $12,100 in 1929, and at $8,300 in 1961.

E.g., in most Workmen's Compensation statutes, payments are geared to the previous earning scale of the accident victim. See U.S. Bureau of Labor Standards, supra note 201, tables 7-11.

Morris, C. Robert, Enterprise Liability and the Actuarial Process—The Insignificance of Foresight, 70 Yale L.J. 554, 600 (1961), points out that many tests which appear to rest upon economic considerations prove faulty, and prefers a test of fairness to the entrepreneur "not to treat him contrary to his reasonable [actuary] expectations."

Cf. text supra at notes 60, 61.

Put in an over-simplified mathematic formula, following the "rule of thumb" quoted in note 60 supra, the proposed insurance coverage would have to be a.b-c; "a" being the national annual per capita income, "b" the national average life expectancy, and "c" the average age of air passengers.

According to information obtained from counsel for a large North-American air carrier, who prefers not to be quoted, the average settlement for passenger death claims in North America was $8,000 in 1941; $14,000 in 1946; $22,000 in 1951; and $26,000 in 1958.

The first assumption of the "actuarial process," as formulated by Morris supra note 206, at 566 ff., is "that the immediate future will be much like the recent past."

Morris, Clarence, Hazardous Enterprise and Risk Bearing Capacity, 61 Yale L.J. 1172, 1179 (1952).

Under both the Italian and the German Aviation Acts, the passenger himself may exercise the claim against the underwriter. See Revised Insurance Conditions, as approved by the German Federal Insurance Agency in 1957, "Special conditions for the obligatory air passenger accident insurance (OPUV)," LuU6; cf. Handbuch für die Luftfahrtversicherung (interne manual,
the persons who have a right to sue, either by specific enumeration or by reference to the general law of maintenance.

Alternatively, if this is not acceptable for any reason, the victim should at least be granted a statutory right of action against the carrier himself. This would eliminate from the pleading of the Warsaw Convention before American courts a conflict-of-laws dogma which is wholly inappropriate to international air transport in the jet age—namely the "lex loci delicti" doctrine, as applied to passenger damages.

In order to give the victim a cause of action, courts used to characterize the aircraft accident either as a tort or as a breach of contract. In either case, a specific local law "governing" the delict or the contract had to be pleaded—the law of the place where the wrong occurred, where the force was "impinged," where the death occurred, or where the contract was concluded, performed, broken, etc. In most cases, that specific local law, e.g., of Portugal, had neither a reason for nor any interest in governing the legal relations between an American air carrier and his American passenger, who happened to overfly a piece of Portuguese territory when the accident occurred. The dogma that the "provisions of the Warsaw Convention attach to the right of action created by the lex

Deutscher Luftpool 87. In Italy, the carrier may exercise the right of action on behalf of the passenger (art. 998, cf. note 97).

The British Carriage by Air Act implementing the Warsaw Convention names the members of the passenger's family for the benefit of whom the liability provisions are enforceable, granting them one action for the benefit of all. The amount of damages is to be divided between them by the Court. Cf. also the Irish, Canadian and Australian Acts, supra note 68.

E.g., the German statute implementing the Warsaw Convention, supra note 68, § 1, refers to § 21 of the Aviation Act (now § 32 ff. of the 1959 Act, supra note 98), which speaks generally of "persons to whom the deceased owed a duty of maintenance." The Swiss statute makes a similar reference to the general law of obligations. Cf. Riese, Luftrecht 398, 469, 487 (Stuttgart 1949).

Although "direct action" statutes are now spreading in the United States—see Ehrenzweig, Conflict of Laws 32, 116, 132, 140 (1959)—there still seem to be many who consider the direct action by the victim against the underwriter as "conceptually impossible"; cf. Ehrenzweig, Towards an Automobile Compensation Plan, 11 Fed. Ins. Counsel Quar. 5, 8 (1961).

Characterization generally applied by courts of common law countries, cf. cases cited supra notes 27 through 38. At the 11th Session of the ICAO Legal Committee in Tokyo (1957) the British delegate said that "he had been brought up in English law and had thought of the Warsaw Convention primarily as regulating liability in tort or delict of the carrier"; see Kean, Tokyo Minutes ICAO LC I, 14. But cf. Prusser, The Borderland of Tort and Contract, Selected Topics on the Law of Torts 380 ff. (1953).


See cases cited in note 28 supra.

This conceptualism has gone so far that in Pignataro v. United States, (E.D.N.Y. 1961), 1961 U.S. & Can. Av. 121, 123, the complaint for bodily injury of an infant during a flight from Dhahran (Saudi-Arabia) to Asmera (Eritrea) was dismissed "on the ground that it fails to set forth the local law upon which the claim is grounded." The case did not come under the Warsaw Convention, since it involved government aircraft; (see reservation in the additional protocol to the Warsaw Convention; also Art. XXVI of the Hague Protocol), and because Saudi-Arabia has not adhered to the Convention.
loki delicti” \( ^{20} \) becomes still more absurd when an aircraft on a “Warsaw” flight happens to crash in a state which is not a member of the Convention. \( ^{2} \) The court will have to proceed to a “fictitious ratification” and decide the case on the ground of what would be the law of that country if it had ratified the Convention!

A statutory right of action would do away with the conflicts problem and with the conceptualist quarrel about contractual or delictual cause of action; \( ^{2} \) this has long been accomplished by the British, Irish, Canadian and Australian statutes implementing the Warsaw Convention. \( ^{2} \)

IV. CONCLUSION

As one distinguished European scholar and judge stated in 1949, “the United States have taken the leadership in the field of international air law, which formerly had been the prerogative of the European states with France predominant.” \( ^{2} \) This leadership is not only a privilege, but also a responsibility.

It is superfluous to emphasize here the effect on world public opinion which a withdrawal of the United States from the most widely accepted international treaty on commercial law would have. The Warsaw Convention has protected the interests of both American air carriers and American air passengers, and so will the Hague Protocol. The United States could maximize the benefits of these treaties for her citizens, by enacting appropriate implementing legislation. \( ^{2} \)

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\( ^{2} \) At the time of the Lisbon air crash (1943), out of which the Garcia, Indemnity, and Ross/Froman cases arose (supra note 28), Portugal was not a member of the Warsaw Convention. Portuguese adherence came in 1947, so that the legal situation was different in the air crash at the Portuguese Azores (1949), which gave rise to the Komlos, Royal Indemnity, Supine and Hennessy cases (supra notes 28, 217).


\( ^{2} \) supra note 68.

\( ^{2} \) Riese (now Justice, Supreme Court of the European Common Market Communities, in Luxembourg), supra note 214, at 109.

\( ^{2} \) Hardman, supra note 16, at 700, concludes: “The inadequacy of the common law rules of liability to cope with perplexing problems presented by aviation must be brought to the attention of our federal legislators. Subsequent legislative studies, stemming from this awareness and the encouragement of the legal profession, should conclude with the realization that the industry has reached a stage of development at which it is regarded as feasible to afford a system of social insurance and result in the enactment of a federal statute embodying such principles.”