

CONFIDENTIAL



PRIME MINISTER

THE GULF: WAR RISK INSURANCE FOR AIRLINES

British Airways have advised us of increases in the war risk premia for operations to the Middle East which have rendered their services wholly uneconomical. The increases, which took effect today, are of up to twenty times previous levels and affect nine airports in the region. Further increases have already been notified for next week-end. Although aircraft are heavily booked on the inward legs largely with families responding to the Foreign and Commonwealth Office's advice, there is little revenue from eastbound services and the company has told us that they are not prepared to carry the loss of several million pounds a week that these new premia entail. Unless we can assist them their services will be suspended from tonight.

2. There is provision in the Marine and Aviation Insurance (War Risks) Act 1952, for the government to re-insure war risks. Indeed, we have an agreement with the shipping War Risks Associations, last revised in 1988, which provides for such re-insurance. No premia are paid when the risk is low; we have been preparing to give notice of premia becoming payable on the outbreak of hostilities in the Gulf.

3. Subject to colleagues' agreement I propose that similar arrangements be drawn up with the insurers of all British aircraft operating to the Middle East. It is unlikely that negotiations can be concluded before the early part of next week and in order to prevent British Airways' services from being interrupted, I would inform them and their insurers of our intentions and give an undertaking that in practice we will re-insure against hostile acts in the interim period on an ex gratia basis. With the agreement of Treasury officials, British Airways have already been told that we will provide cover from midnight tonight until a Ministerial decision has been obtained.

Content / s.i.

Prime Minister

Agreement to this is needed as early as possible to commence the Treasury and contact. Agree? (1)

Off.

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4. Clearly we must limit the duration of what will be effectively free war risks insurance to the period of the evacuation of non-essential personnel. I therefore propose that when the agreements are concluded we should announce that premia will become payable from 15 January. This may have the effect of bringing services to a halt, but if further evacuation is necessary after that date, the Foreign and Commonwealth Office should be able to organise ad hoc charters.
5. The Act provides for agreements to be laid before Parliament and subject to negative resolution procedure. I would propose making a low-key announcement emphasising the precedent for shipping; we must avoid arousing undue alarm about the risks to civil aircraft.
6. The main beneficiaries of the agreements will of course be British Airways but they may also enable Cathay Pacific Airways (who operate British-registered aircraft) to continue their valuable services from Bahrain to London. Certain cargo and passenger charter operations will also be covered.
7. I am copying this minute to the Foreign and Commonwealth Secretary, the Secretary of State for Defence, the Secretary of State for Trade and Industry and the Chief Secretary to the Treasury (for whose explicit approval I would be grateful). A copy goes also to Sir Robin Butler.

P. V. G. G. G.
(AIRWAY SECRETARY)

for MALCOLM RIFKIND
4 JANUARY 1991

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Cont'd / s.i.

①
Prime Minister
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 early as possible
 tomorrow. The Treasury
 not contact. Agree?

O.P.

CONFIDENTIAL

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P. T. G. O'Connell
(PRIVATE SECRETARY)

MR MALCOLM RIFKIND
4 JANUARY 1991

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CONFIDENTIAL

①



Time Limit

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 off.

PRIME MINISTER

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P. T. Keating
(PRIVATE SECRETARY)

for MALCOLM RIFKIND
4 JANUARY 1991

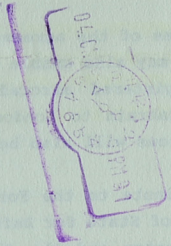
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1. The first objective of the assessment is to identify the...
2. The second objective is to identify the...
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4. The fourth objective is to identify the...
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17. The seventeenth objective is to identify the...
18. The eighteenth objective is to identify the...
19. The nineteenth objective is to identify the...
20. The twentieth objective is to identify the...



17/10/77
(Sgt. Jack...)
/s/ WALTER KIRK
4 JANUARY 1981