

**Calendar No. 274**

105TH CONGRESS }  
*1st Session* }

SENATE

{ REPORT  
105-140

AVIATION INSURANCE REAUTHORIZATION  
ACT OF 1997

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REPORT

OF THE

COMMITTEE ON COMMERCE, SCIENCE, AND  
TRANSPORTATION

ON

S. 1193



NOVEMBER 6, 1997.—Ordered to be printed

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SENATE COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION

ONE HUNDRED FIFTH CONGRESS

FIRST SESSION

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### AVIATION INSURANCE REAUTHORIZATION ACT OF 1997

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Mr. MCCAIN, from the Committee on Commerce, Science, and  
Transportation, submitted the following

### REPORT

[To accompany S. 1193]

The Committee on Commerce, Science, and Transportation, to which was referred the bill (S. 1193) “A Bill to amend chapter 443 of title 49, United States Code, to extend the authorization of the aviation insurance program, and for other purposes”, having considered the same, reports favorably thereon with an amendment (in the nature of a substitute) and recommends that the bill (as amended) do pass.

#### PURPOSE OF THE BILL

The reported bill extends, through December 1998, the authority under the aviation insurance program to provide insurance to air carriers under certain circumstances.

#### BACKGROUND AND NEEDS

The Aviation Insurance Program insures air carriers against losses resulting from war, terrorism, or other hostile acts, when commercial insurance to cover such circumstances is canceled, or is not available at reasonable rates. For an air carrier to qualify for the program, the President must determine that a flight is essential to the foreign policy interests of the United States, and the Administrator of the Federal Aviation Administration (FAA) must determine that commercial insurance is not available on reasonable terms.

Under the program, the FAA can issue nonpremium and premium insurance. Nonpremium insurance is issued to air carriers flying missions for federal agencies that have an indemnification agreement with the Department of Transportation (DOT). Only the

Department of Defense and the Department of State currently have indemnification agreements with the DOT. Under an indemnification agreement, the agency contracts with an air carrier for aircraft, and reimburses the FAA for any insurance claims paid by the FAA. Premium insurance is issued to air carriers flying commercial operations in foreign air commerce, or between two or more points outside the United States. The FAA assumes the financial liability for claims. Air carriers pay premiums commensurate with the risks involved for this insurance.

The program does not have sufficient funds available to pay many potential claims in a timely manner. The program is self-financed from premiums, registration fees, and investments in U.S. securities, and has a current balance of about \$70 million. The Congress partially addressed this issue by allowing the Department of Defense to pay claims for the nonpremium insurance that it issues from its Operations account. The funding issue was not resolved, however, for nonpremium insurance issued by the Department of State, and for premium insurance. The Congress could appropriate the amount needed above the available program funding, but may not be able to do so within 30 days, which is the standard time for commercial insurance to pay a claim for a hull loss. Delays beyond 30 days in paying claims could result in a financial hardship, and possibly bankruptcy, for air carriers.

The Committee considered addressing the problem of limited program funding for other than Department of Defense-related nonpremium insurance by authorizing the FAA to borrow money from the federal treasury to pay a claim. The Congressional Budget Office determined that this borrowing authority would have no significant impact on the federal budget. The Office of Management and Budget, however, indicated that the provision of borrowing authority to the program should be scored as an outlay affecting the federal deficit. The Committee, therefore, did not include a borrowing authority provision in the bill as reported.

The Committee continues to be concerned that adequate funding is not available to pay a claim in a timely manner, and would encourage the FAA and the air carriers to continue working together to find a solution to this problem. The bill, therefore, authorizes the program through 1998 with the expectation that the FAA, working with the air carriers and the OMB, will develop a reasonable proposal for the Committee's consideration when the program authorization is under review next year.

Finally, the bill as reported amends the statutory definition of public aircraft to exclude aircraft that are owned by the United States government and leased to an aircraft manufacturer. The bill clarifies that aircraft owned by the United States government and leased to the manufacturer are not "civil" aircraft, and do not require FAA certification and registration.

#### LEGISLATIVE HISTORY

Senator Gorton, Chairman of the Aviation Subcommittee, introduced S. 1193 on September 18, 1997. Senators McCain, Hollings, and Ford are cosponsors of the bill.

The conference report on the Department of Defense authorization bill includes a provision to reauthorize the aviation insurance

program for five years (H.R. 1119, Sec. 1088). S. 1193 is intended to supersede this provision, should it be enacted. The House of Representatives agreed to the conference report on H.R. 1119 on October 28, 1997.

The companion bill to S. 1193 was reported in the House of Representatives on September 4, 1997 (H.R. 2036, H. Rept. 105-284). On September 23, 1997, the Committee, without objection, ordered S. 1193 reported with an amendment in the nature of a substitute.

#### ESTIMATED COSTS

In accordance with paragraph 11(a) of rule XXVI of the Standing Rules of the Senate and section 403 of the Congressional Budget Act of 1974, the Committee provides the following cost estimate, prepared by the Congressional Budget Office:

U.S. CONGRESS,  
CONGRESSIONAL BUDGET OFFICE,  
*Washington, DC, October 1, 1997.*

Hon. JOHN MCCAIN,  
*Chairman, Committee on Commerce, Science, and Transportation,  
U.S. Senate, Washington, DC.*

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for S. 1193, the Aviation Insurance Reauthorization Act of 1997.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contacts are Rachel Forward and Clare Doherty.

Sincerely,

JUNE E. O'NEILL, *Director.*

Enclosure.

#### CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

##### *S. 1193—Aviation Insurance Reauthorization Act of 1997*

S. 1193 would amend Title 49 of the U.S. Code to extend from September 30, 1997, to December 31, 1998, the authorization of the aviation insurance program administered by the Federal Aviation Administration (FAA). CBO estimates that enacting the bill would probably not have any significant impact on the federal budget over the 1998–2002 period. Because the bill could affect direct spending, pay-as-you-go procedures would apply. S. 1193 contains no inter-governmental or private-sector mandates as defined in the Unfunded Mandates Reform Act of 1995 and would not affect the budgets of state, local, or tribal governments.

The aviation insurance program provides insurance coverage for aircraft operations that are deemed essential to the foreign policy interests of the United States when commercial insurance is unavailable on reasonable terms. The program is financed through the Aviation Insurance Revolving Fund, which is supported by premiums paid for coverage (for “premium insurance”), one-time binder fees paid by the airlines (for “nonpremium insurance”), appropriated funds, and interest on investments in U.S. Treasury securities. From 1959 through March 1997, the fund accumulated \$65 million in revenues and paid out a total of \$151,000 in claims.

Nonpremium insurance, which accounts for about 99 percent of all aviation insurance, is for U.S. airlines that are providing contract services for federal agencies that have indemnification agreements with the Department of Transportation (DOT). Currently only the Department of Defense (DoD) and the State Department have such agreements with DOT. In the event of a loss, DoD or the State Department would reimburse the FAA for the insurance claims it would have to pay to the airlines. Since 1975, there have been approximately 5,400 flights covered by the program.

Premium insurance is provided to U.S. or foreign airlines for regularly scheduled commercial or charter service. Airlines pay a premium to the FAA for the coverage, similar to a normal insurance policy. Both types of insurance policies cover both hull loss and liability.

Based on information from DOT, CBO estimates that it is unlikely that enacting H.R. 2036 would have a significant impact on the federal budget over the next five years. The bill could affect federal spending if new claims occur from extending the insurance program. While the amount of new spending could be large, historical experience suggests that events that would necessitate such spending are very rare.

The CBO staff contacts for this estimate are Rachel Forward and Clare Doherty. The estimate was approved by Robert A. Sunshine, Deputy Assistant Director for Budget Analysis.

#### REGULATORY IMPACT STATEMENT

In accordance with paragraph 11(b) of rule XXVI of the Standing Rules of the Senate, the Committee provides the following evaluation of the regulatory impact of the legislation, as reported.

#### NUMBER OF PERSONS COVERED

The legislation provides the authorization for a 14-month extension of the aviation insurance program. As this legislation is simply reauthorizing existing programs, the number of persons covered should be consistent with current levels.

#### ECONOMIC IMPACT

As reported, the bill reinstates an existing program. Historically, claims paid under the program have been modest. Program activities are not expected to have an inflationary impact on the nation's economy.

#### PRIVACY

The legislation will not have any adverse impact on the personal privacy of the individuals affected.

#### PAPERWORK

This legislation reinstates the existing DOT aviation insurance program. Therefore, there should be no change in paperwork requirements associated with these DOT programs.

## SECTION-BY-SECTION ANALYSIS

*Section 1. Short title*

This section states the short title of the bill, the “Aviation Insurance Reauthorization Act of 1997”.

*Section 2. Valuation of aircraft*

This section directs the Secretary of Transportation to be guided by reasonable business practices in the commercial aviation insurance industry when determining the amount for which an aircraft may be insured. This change is intended to recognize that there may be instances in which an aircraft’s market value is not the appropriate basis for determining the amount of insurance. This occurs, for example, in the case of leased or mortgaged aircraft when the lessor or mortgagor requires a specified amount of insurance in the lease or mortgage agreement. As the market values of aircraft fluctuate, the stipulated amount may sometimes be more than the market value of the aircraft.

*Section 3. Effect of indemnity agreements*

This section states that the President’s signature, or the signature of the President’s designee, of the indemnification agreement between the Secretary of Transportation and the head of another U.S. government agency will constitute the required finding under section 44302(b) that the flight is necessary to carry out the foreign policy interests of the United States.

*Section 4. Arbitration authority*

This section permits an aviation insurance program policy to provide for binding arbitration of a dispute between the FAA and the commercial insurer over what part of a loss each is responsible for.

*Section 5. Extension of program*

This section extends the authority of the Secretary of Transportation to issue insurance, under 49 U.S.C. Sections 44301–44310, until December 31, 1998.

*Section 6. Use of aircraft for demonstration*

This section clarifies that aircraft owned by the United States government do not have to be certified and registered by the FAA when leased to a private entity and operated by any person for purposes related to crew training, equipment development, or demonstration.

## CHANGES IN EXISTING LAW

In compliance with paragraph 12 of rule XXVI of the Standing Rules of the Senate, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new material is printed in italic, existing law in which no change is proposed is shown in roman):

TITLE 49. TRANSPORTATION  
 SUBTITLE VII. AVIATION PROGRAMS  
 PART A. AIR COMMERCE AND SAFETY  
 SUBPART I. GENERAL  
 CHAPTER 401. GENERAL PROVISIONS

**§ 40102. Definitions**

- (a) GENERAL DEFINITIONS.—In this part—
- (1) “aeronautics” means the science and art of flight.
  - (2) “air carrier” means a citizen of the United States undertaking by any means, directly or indirectly, to provide air transportation.
  - (3) “air commerce” means foreign air commerce, interstate air commerce, the transportation of mail by aircraft, the operation of aircraft within the limits of a Federal airway, or the operation of aircraft that directly affects, or may endanger safety in, foreign or interstate air commerce.
  - (4) “air navigation facility” means a facility used, available for use, or designed for use, in aid of air navigation, including—
    - (A) a landing area;
    - (B) a light;
    - (C) apparatus or equipment for distributing weather information, signaling, radio-directional finding, or radio or other electromagnetic communication; and
    - (D) another structure or mechanism for guiding or controlling flight in the air or the landing and takeoff of aircraft.
  - (5) “air transportation” means foreign air transportation, interstate air transportation, or the transportation of mail by aircraft.
  - (6) “aircraft” means any contrivance invented, used, or designed to navigate, or fly in, the air.
  - (7) “aircraft engine” means an engine used, or intended to be used, to propel an aircraft, including a part, appurtenance, and accessory of the engine, except a propeller.
  - (8) “airman” means an individual—
    - (A) in command, or as pilot, mechanic, or member of the crew, who navigates aircraft when under way;
    - (B) except to the extent the Administrator of the Federal Aviation Administration may provide otherwise for individuals employed outside the United States, who is directly in charge of inspecting, maintaining, overhauling, or repairing aircraft, aircraft engines, propellers, or appliances; or
    - (C) who serves as an aircraft dispatcher or air traffic control-tower operator.
  - (9) “airport” means a landing area used regularly by aircraft for receiving or discharging passengers or cargo.
  - (10) “all-cargo air transportation” means the transportation by aircraft in interstate air transportation of only property or only mail, or both.



(11) “appliance” means an instrument, equipment, apparatus, a part, an appurtenance, or an accessory used, capable of being used, or intended to be used, in operating or controlling aircraft in flight, including a parachute, communication equipment, and another mechanism installed in or attached to aircraft during flight, and not a part of an aircraft, aircraft engine, or propeller.

(12) “cargo” means property, mail, or both.

(13) “charter air carrier” means an air carrier holding a certificate of public convenience and necessity that authorizes it to provide charter air transportation.

(14) “charter air transportation” means charter trips in air transportation authorized under this part.

(15) “citizen of the United States” means—

(A) an individual who is a citizen of the United States;

(B) a partnership each of whose partners is an individual who is a citizen of the United States; or

(C) a corporation or association organized under the laws of the United States or a State, the District of Columbia, or a territory or possession of the United States, of which the president and at least two-thirds of the board of directors and other managing officers are citizens of the United States, and in which at least 75 percent of the voting interest is owned or controlled by persons that are citizens of the United States.

(16) “civil aircraft” means an aircraft except a public aircraft.

(17) “civil aircraft of the United States” means an aircraft registered under chapter 441 of this title.

(18) “conditional sales contract” means a contract—

(A) for the sale of an aircraft, aircraft engine, propeller, appliance, or spare part, under which the buyer takes possession of the property but title to the property vests in the buyer at a later time on—

(i) paying any part of the purchase price;

(ii) performing another condition; or

(iii) the happening of a contingency; or

(B) to bail or lease an aircraft, aircraft engine, propeller, appliance, or spare part, under which the bailee or lessee—

(i) agrees to pay an amount substantially equal to the value of the property; and

(ii) is to become, or has the option of becoming, the owner of the property on complying with the contract.

(19) “conveyance” means an instrument, including a conditional sales contract, affecting title to, or an interest in, property.

(20) “Federal airway” means a part of the navigable airspace that the Administrator designates as a Federal airway.

(21) “foreign air carrier” means a person, not a citizen of the United States, undertaking by any means, directly or indirectly, to provide foreign air transportation.

(22) “foreign air commerce” means the transportation of passengers or property by aircraft for compensation, the transportation of mail by aircraft, or the operation of aircraft in fur-

thering a business or vocation, between a place in the United States and a place outside the United States when any part of the transportation or operation is by aircraft.

(23) “foreign air transportation” means the transportation of passengers or property by aircraft as a common carrier for compensation, or the transportation of mail by aircraft, between a place in the United States and a place outside the United States when any part of the transportation is by aircraft.

(24) “interstate air commerce” means the transportation of passengers or property by aircraft for compensation, the transportation of mail by aircraft, or the operation of aircraft in furthering a business or vocation—

(A) between a place in—

(i) a State, territory, or possession of the United States and a place in the District of Columbia or another State, territory, or possession of the United States;

(ii) a State and another place in the same State through the airspace over a place outside the State;

(iii) the District of Columbia and another place in the District of Columbia; or

(iv) a territory or possession of the United States and another place in the same territory or possession; and

(B) when any part of the transportation or operation is by aircraft.

(25) “interstate air transportation” means the transportation of passengers or property by aircraft as a common carrier for compensation, or the transportation of mail by aircraft—

(A) between a place in—

(i) a State, territory, or possession of the United States and a place in the District of Columbia or another State, territory, or possession of the United States;

(ii) Hawaii and another place in Hawaii through the airspace over a place outside Hawaii;

(iii) the District of Columbia and another place in the District of Columbia; or

(iv) a territory or possession of the United States and another place in the same territory or possession; and

(B) when any part of the transportation is by aircraft.

(26) “intrastate air carrier” means a citizen of the United States undertaking by any means to provide only intrastate air transportation.

(27) “intrastate air transportation” means the transportation by a common carrier of passengers or property for compensation, entirely in the same State, by turbojet-powered aircraft capable of carrying at least 30 passengers.

(28) “landing area” means a place on land or water, including an airport or intermediate landing field, used, or intended to be used, for the takeoff and landing of aircraft, even when

facilities are not provided for sheltering, servicing, or repairing aircraft, or for receiving or discharging passengers or cargo.

(29) “mail” means United States mail and foreign transit mail.

(30) “navigable airspace” means airspace above the minimum altitudes of flight prescribed by regulations under this subpart and subpart III of this part, including airspace needed to ensure safety in the takeoff and landing of aircraft.

(31) “navigate aircraft” and “navigation of aircraft” include piloting aircraft.

(32) “operate aircraft” and “operation of aircraft” mean using aircraft for the purposes of air navigation, including—

(A) the navigation of aircraft; and

(B) causing or authorizing the operation of aircraft with or without the right of legal control of the aircraft.

(33) “person”, in addition to its meaning under section 1 of title 1, includes a governmental authority and a trustee, receiver, assignee, and other similar representative.

(34) “predatory” means a practice that violates the antitrust laws as defined in the first section of the Clayton Act (15 U.S.C. 12).

(35) “price” means a rate, fare, or charge.

(36) “propeller” includes a part, appurtenance, and accessory of a propeller.

(37) “public aircraft”

(A) means an aircraft—

(i) used only for the United States Government; **[or]**

(ii) *owned by the United States Government and operated by any person for purposes related to crew training, equipment development, or demonstration; or*

**[(ii)]** (iii) owned and operated (except for commercial purposes), or exclusively leased for at least 90 continuous days, by a government (except the United States Government), including a State, the District of Columbia, or a territory or possession of the United States, or political subdivision of that government; but

(B) does not include a government-owned aircraft—

(i) transporting property for commercial purposes; or

(ii) transporting passengers other than—

(I) transporting (for other than commercial purposes) crewmembers or other persons aboard the aircraft whose presence is required to perform, or is associated with the performance of, a governmental function such as firefighting, search and rescue, law enforcement, aeronautical research, or biological or geological resource management; or

(II) transporting (for other than commercial purposes) persons aboard the aircraft if the aircraft is operated by the Armed Forces or an intelligence agency of the United States.

An aircraft described in the preceding sentence shall, notwithstanding any limitation relating to use of the aircraft for commercial purposes, be considered to be a public aircraft for the purposes of this part without

regard to whether the aircraft is operated by a unit of government on behalf of another unit of government, pursuant to a cost reimbursement agreement between such units of government, if the unit of government on whose behalf the operation is conducted certifies to the Administrator of the Federal Aviation Administration that the operation was necessary to respond to a significant and imminent threat to life or property (including natural resources) and that no service by a private operator was reasonably available to meet the threat.

(38) “spare part” means an accessory, appurtenance, or part of an aircraft (except an aircraft engine or propeller), aircraft engine (except a propeller), propeller, or appliance, that is to be installed at a later time in an aircraft, aircraft engine, propeller, or appliance.

(39) “State authority” means an authority of a State designated under State law—

(A) to receive notice required to be given a State authority under subpart II of this part; or

(B) as the representative of the State before the Secretary of Transportation in any matter about which the Secretary is required to consult with or consider the views of a State authority under subpart II of this part.

(40) “ticket agent” means a person (except an air carrier, a foreign air carrier, or an employee of an air carrier or foreign air carrier) that as a principal or agent sells, offers for sale, negotiates for, or holds itself out as selling, providing, or arranging for, air transportation.

(41) “United States” means the States of the United States, the District of Columbia, and the territories and possessions of the United States, including the territorial sea and the overlying airspace.

(b) LIMITED DEFINITION.—In subpart II of this part, “control” means control by any means.

## TITLE 49. TRANSPORTATION

### SUBTITLE VII. AVIATION PROGRAMS

#### PART A. AIR COMMERCE AND SAFETY

##### SUBPART III. SAFETY

#### CHAPTER 443. INSURANCE

### § 44302. General authority

(a) INSURANCE AND REINSURANCE.—

(1) Subject to subsection (b) of this section and section 44305(a) of this title, the Secretary of Transportation may provide insurance and reinsurance against loss or damage arising out of any risk from the operation of an American aircraft or foreign-flag aircraft—

(A) in foreign air commerce; or

(B) between at least 2 places, all of which are outside the United States.

(2) An aircraft may be insured or reinsured for not more than its reasonable value [as determined by the Secretary.] *as determined by the Secretary in accordance with reasonable business practices in the commercial aviation insurance industry.* Insurance or reinsurance may be provided only when the Secretary decides that the insurance cannot be obtained on reasonable terms from an insurance carrier.

(b) PRESIDENTIAL APPROVAL.—The Secretary may provide insurance or reinsurance under subsection (a) of this section only with the approval of the President. The President may approve the insurance or reinsurance only after deciding that the continued operation of the American aircraft or foreign-flag aircraft to be insured or reinsured is necessary to carry out the foreign policy of the United States Government.

(c) CONSULTATION.—The President may require the Secretary to consult with interested departments, agencies, and instrumentalities of the Government before providing insurance or reinsurance under this chapter.

(d) ADDITIONAL INSURANCE.—With the approval of the Secretary, a person having an insurable interest in an aircraft may insure with other underwriters in an amount that is more than the amount insured with the Secretary. However, the Secretary may not benefit from the additional insurance. This subsection does not prevent the Secretary from making contracts of coinsurance.

#### **§ 44305. Insuring United States Government property**

(a) GENERAL.—With the approval of the President, a department, agency, or instrumentality of the United States Government may obtain—

(1) insurance under this chapter, including insurance for risks from operating an aircraft in intrastate or interstate air commerce, but not including insurance on valuables subject to sections 1 and 2 of the Government Losses in Shipment Act (40 U.S.C. 721, 722); and

(2) insurance for risks arising from providing goods or services directly related to and necessary for operating an aircraft covered by insurance obtained under clause (1) of this subsection if the aircraft is operated—

(A) in carrying out a contract of the department, agency, or instrumentality; or

(B) to transport military forces or materiel on behalf of the United States under an agreement between the Government and the government of a foreign country.

(b) PREMIUM WAIVERS AND INDEMNIFICATION.—With the approval required under subsection (a) of this section, the Secretary of Transportation may provide the insurance without premium at the request of the Secretary of Defense or the head of a department, agency, or instrumentality designated by the President when the Secretary of Defense or the designated head agrees to indemnify the Secretary of Transportation against all losses covered by the insurance. The Secretary of Defense and any designated head may make indemnity agreements with the Secretary of Transportation under this section. *If such an agreement is countersigned by the President or the President's designee, the agreement shall constitute,*

*for purposes of section 44302(b), a determination that continuation of the aircraft operations to which the agreement applies is necessary to carry out the foreign policy of the United States.*

**§ 44306. Premiums and limitations on coverage and claims.**

(a) **PREMIUMS BASED ON RISK.**—To the extent practical, the premium charged for insurance or reinsurance under this chapter shall be based on consideration of the risk involved.

(b) **TIME LIMITS.**—The Secretary of Transportation may provide insurance and reinsurance under this chapter for a period of not more than 60 days. The period may be extended for additional periods of not more than 60 days each only if the President decides, before each additional period, that the continued operation of the aircraft to be insured or reinsured is necessary to carry out the foreign policy of the United States Government.

(c) **MAXIMUM INSURED AMOUNT.**—The insurance policy on an aircraft insured or reinsured under this chapter shall specify a stated amount that is not more than the value of the aircraft, **[as determined by the Secretary.]** *as determined by the Secretary in accordance with reasonable business practices in the commercial aviation insurance industry.* A claim under the policy may not be paid for more than that stated amount.

**§ 44308. Administrative**

(a) **COMMERCIAL PRACTICES.**—The Secretary of Transportation may carry out this chapter consistent with commercial practices of the aviation insurance business.

(b) **ISSUANCE OF POLICIES AND DISPOSITION OF CLAIMS.**—

(1) The Secretary may issue insurance policies to carry out this chapter. The Secretary may prescribe the forms, amounts insured under the policies, and premiums charged. *Any such policy may authorize the binding arbitration of claims made thereunder in such manner as may be agreed to by the Secretary and any commercial insurer that may be responsible for any part of a loss to which such policy relates.* The Secretary may change an amount of insurance or a premium for an existing policy only with the consent of the insured.

(2) For a claim under insurance authorized by this chapter, the Secretary may—

(A) settle and pay the claim made for or against the United States Government; **[and]**

(B) *pay the amount of a binding arbitration award made under paragraph (1); and*

**[(B)]** (C) pay the amount of a judgment entered against the Government.

(c) **UNDERWRITING AGENT.**—

(1) The Secretary may, and when practical shall, employ an insurance carrier or group of insurance carriers to act as an underwriting agent. The Secretary may use the agent to adjust claims under this chapter, but claims may be paid only when approved by the Secretary.

(2) The Secretary may pay reasonable compensation to an underwriting agent for servicing insurance the agent writes for the Secretary. Compensation may include payment for reason-

able expenses incurred by the agent but may not include a payment by the agent for stimulation or solicitation of insurance business.

(3) Except as provided by this subsection, the Secretary may not pay an insurance broker or other person acting in a similar capacity any consideration for arranging insurance when the Secretary directly insures any part of the risk.

(d) BUDGET.—The Secretary shall submit annually a budget program for carrying out this chapter as provided for wholly owned Government corporations under chapter 91 of title 31.

(e) ACCOUNTS.—The Secretary shall maintain a set of accounts for audit under chapter 35 of title 31. Notwithstanding chapter 35, the Comptroller General shall allow credit for expenditures under this chapter made consistent with commercial practices in the aviation insurance business when shown to be necessary because of the business activities authorized by this chapter.

**§ 44310. Ending effective date**

The authority of the Secretary of Transportation to provide insurance and reinsurance under this chapter is not effective after **[September 30, 2002.]** *December 31, 1998.*

