

Aerospace & Defence

Biggest jet leasing company lodges \$3.5bn claim for aircraft stuck in Russia

AerCap's move sets stage for protracted battle between industry and insurers



Dublin-based AerCap had the largest exposure of any foreign lessor to Russia when western sanctions were introduced. © Dado Ruvic/Reuters

Sylvia Pfeifer and **Ian Smith** in London YESTERDAY

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AerCap, the world’s biggest aircraft leasing company, said it had lodged an insurance claim of \$3.5bn to cover the potential loss of its planes and engines that remain stuck in Russia, setting the stage for a protracted battle between the industry and insurers.

The Dublin-based company had the largest exposure of [any foreign lessor to Russia](#) when western sanctions were introduced after its invasion of Ukraine.

It said on Wednesday it had about \$2.5bn at risk and warned it expected to at least partially write down the value of its assets in the first quarter.

The company has retrieved 22 of the 135 planes and three of 14 engines that had been placed with Russian carriers before the start of the war. The removals, along with cash from letters of credit with Russian customers, reduced its exposure from \$3.1bn at the end of December, it said.

Peter Juhas, chief financial officer, said he expected lessors’ insurance claims over Russia to be “contested given the large sums [at stake] across the industry”.

AerCap, however, intended to “vigorously pursue” all of its claims under its insurance

policies, as well as “other legal remedies that may be available to us”, according to chief executive Aengus Kelly.

Shares in AerCap fell 6 per cent to \$52.71 by late morning in New York, where it trades.

Sanctions imposed on Russia triggered a global rush among overseas leasing groups to recover more than 500 aircraft, worth an estimated \$10bn, that were stuck in the country.

International lessors had until Monday to sever their ties with Russian carriers. Experts, however, had warned that the prospects of recovering the jets were slim after the Kremlin earlier this month moved to allow foreign planes to be re-registered in Russia.

It means aviation insurers face record losses if the planes are not recovered through policies that cover owners for confiscation, experts [have warned](#). But given the likely legal wrangle and loss limits written into policies, estimates range widely.

Marsh, the world’s biggest insurance broker, has estimated a potential hit at about \$5bn, but rating agency Fitch has said it could go as high as \$10bn.

Insurers, brokers and lessors expect a legal battle over matters such as when the insurance was deemed to be triggered, given some insurers rushed to issue cancellation notices following the invasion.

Russia is a signatory to the Cape Town Convention, a treaty designed to provide comfort to lessors around jurisdiction risk. Its 83 nations set up an international register to smooth repossessions of aircraft, but it relies on co-operation between the different stakeholders.

Kelly sought to play down concerns that Russia’s actions would change lessors’ attitudes to doing business in emerging markets, describing the current situation as a “temporary aberration”. “I don’t believe that will have an impact on other jurisdictions around the world in the long term.”

The comments came as AerCap, which became the world’s largest lessor last year after its takeover of GE Aviation Capital, [reported a 16 per cent rise in revenues to \\$5.2bn](#) for the year to the end of December. Net income over the period was \$1bn.

Kelly said that notwithstanding the Ukraine invasion the “continued recovery in air travel in many parts of the world” put AerCap on “a positive trajectory heading into

2022”.

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