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An outlook for Aviation in Australia

What changes will impact the market?

The Australian aviation industry continues to benefit from a competitive insurance market and strong capacity, but a range of emerging risks are beginning to reshape the landscape.

Our national Aviation team—Mark Sainsbury (Brisbane), Mark Gray-Spencer (Sydney), Aimee Dash (Perth) and Kerri Thomas (Melbourne), supported by Special Counsel Myles Bryant and Senior Associate François Guillot—have examined the key developments likely to influence the sector over the coming 12 months.

While the immediate outlook remains positive, insurers are becoming more cautious as geopolitical uncertainty, insurance coverage demands by customers and variations, workforce shortages, evolving technologies and changing claims trends place increasing pressure on the market.

In this outlook, we explore the impact of alternative fuels, unmanned aerial vehicles, geopolitical issues and psychiatric claims, and consider what these developments mean for aviation operators, insurers and industry stakeholders across Australia.

Predictions

Alternative Fuels

The transition to Sustainable Aviation Fuel (**SAF**) is unlikely to fundamentally alter aviation liability exposures in Australia. SAF is a hydrocarbon fuel derived from biomass, including plant material, used cooking oil, agricultural residues, and animal waste, rather than fossil fuels. Aircraft operators remain subject to the strict liability regime under the *Civil Aviation (Carriers' Liability) Act 1959*, meaning they remain liable to passengers for injury or death arising from an aircraft accident regardless of whether conventional jet fuel or certified SAF is used.

As SAF is certified to stringent ASTM standards and approved for use in existing aircraft and fuel infrastructure, fuel-related incidents caused by defective or contaminated fuel are more likely to give rise to product liability claims against fuel producers, refiners, or suppliers under Australia's existing legal framework, rather than creating a new category of airline liability.

Unmanned Aerial Vehicles (UAVs)

UAVs are well suited to Australia's vast geography and will be central to Advanced Air Mobility (**AAM**), a sector built on new short-haul low altitude aircraft. The line between UAVs and eVTOL aircraft that take off and land vertically is narrowing, supporting cargo services, regional and urban passenger links and government uses across defence, medical and emergency services.

New research shows limited detection and awareness of drone enabled cyber activity across critical infrastructure, creating emerging exposure for insurers assessing operational resilience and aggregation risk. Regulators are moving quickly following the April 2025 AAM Aircraft Type Certification Roadmap, as the industry works to integrate drone related cyber and operational risk into governance resilience and insurance programs.

Geopolitical issues	These are unpredictable at the best of times, but now more than ever. Developments in the Middle East in early 2026 have highlighted how vulnerable global aviation networks and in turn Australia's market are to geopolitical shocks. Airport attacks, sudden airspace closures and extended rerouting have increased operational exposure for Australian carriers, driving up hull war and liability premiums and increasing claims uncertainty. Insurers are reassessing aggregation risk across key international corridors and tightening policy conditions as conflict related disruptions become more frequent. Even so, the industry response has been encouraging. Strong cooperation between governments, airlines and insurers has helped maintain essential routes and preserve market stability. This willingness to adapt and support continuity provides a more positive outlook for Australia despite ongoing geopolitical pressures.
Psychiatric Claims	The rise in psychiatric claims is likely to be a significant factor shaping Australia's aviation market in the coming years. While passengers' claims against carriers are generally limited under the *Civil Aviation (Carriers' Liability) Act*, there has been a noticeable increase in pure psychiatric harm claims brought by family members, witnesses, bystanders, and first responders. This trend is expanding liability exposures for aviation businesses, particularly non-carrier insureds such as maintenance providers and private operators. A key challenge is the potential coverage gap where insurance policies respond only to 'bodily injury' and exclude psychiatric injury. As awareness of mental health impacts grows and litigation increases, insurers are broadening policy coverage to address these risks. This evolution is expected to influence underwriting, policy design, and risk management across the aviation sector.

We're here to help

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