Q2 EDITION 2020

PLANE TALKING

A SPECIALIST RISK PUBLICATION FOR THE AVIATION SECTOR

FEATURE ARTICLES

IATA - SAFE TRAVELS - HOW WE PLAN TO LOOK AFTER YOUR BIO-SAFETY

Alexandre de Juniac, Director-General and CEO of the International Air Transport Association (IATA)

LEAD LINES – CHANGE AFOOT

Martin Jackson, Head of Aviation and Space – HDI Global Specialty SE

AVIATION MARKET AND INDUSTRY NEWS

Gallagher

Insurance | Risk Management | Consulting

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Founded by Arthur Gallagher in Chicago in 1927, Gallagher has grown to become one of the largest insurance brokerage, risk management, and human capital consultant companies in the world. With significant reach internationally, the group employs over 33,000 people and its global network provides services in more than 150 countries.

Gallagher's London divisions offer specialist insurance and risk management services. We provide bespoke policy wordings, programme design and risk placement solutions, and consulting support across a range of specialisms. We manage complex, large, global risks on a direct and wholesale basis and serve as primary access point to Lloyd's of London, London company markets, and international insurance markets.

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CONTENTS

INSIDE THIS EDITION...

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EXECUTIVE FOREWORD

Welcome to the second quarter (Q2) edition of Plane Talking brought to you by the Gallagher aerospace team.

As parts of the global aviation community start to return to some form of normality after months of lockdown, businesses continue to weigh the impact of COVID-19. From an insurance perspective, the after-math of the pandemic is likely to be an acceleration of the rating trends that were already evident beforehand. The market therefore looks set to remain a challenging environment but one in which, with the right partners and strategy, clients can continue to obtain the cover they need at prices offering good underlying value.

One consequence of the current situation and the special efforts this has required is that everyone is busier. Workloads have increased significantly at a time when many people are still working remotely from home and navigating new ways of operating. Positively, as our Lead Lines contributor highlights, to its great credit the market has so far met this challenge. Our focus remains on supporting our clients. From the onset of the pandemic, Gallagher has been working hard, collaborating with insurers in order to maintain excellent service and manage the hurdles that all parties continue to face from COVID-19.

In light of the current situation, Gallagher recommends that clients take this opportunity to carefully consider their suppliers. For example, to review the panel of insurers with which they partner, how well they responded in crisis, their financial security and long term commitment to the aerospace sector. As the environment becomes more and more demanding, the role of the broker can make a bigger difference to products, service and pricing. Early engagement and more creative strategy will pay dividends.

Finally, clients should consider future insurance requirements and risk appetite. There are a number of special products available that could provide additional protection in the vulnerable post COVID-19 period. Success in the future will depend on the ability of clients and the insurance market to collectively learn, adapt and innovate.

We remain confident that the aviation industry will come through its current challenges and, as today, Gallagher will be striving to provide our clients with unmatched capability and expertise in this dynamic sector.

We hope you enjoy the issue, and please do not hesitate to get in touch.

Peter

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01. SPECIAL FEATURE – SAFE TRAVELS. HOW WE PLAN TO LOOK AFTER YOUR BIO-SAFETY

AUTHOR: ***ALEXANDRE DE JUNIAC***, *DIRECTOR-GENERAL AND CEO OF THE INTERNATIONAL AIR TRANSPORT ASSOCIATION (IATA)*

Trust. Over decades, airlines have earned the trust of travellers to deliver them safely to their destination. Amid the COVID-19 crisis, the question of trust now extends to personal health.

Surveys tell us that people are eager to get back to exploring the world, reconnecting with friends and family and visiting business partners to seal the next big deal. However, you will not do that unless you feel safe while traveling.

Over the past few weeks all stakeholders in aviation – the UN's International Civil Aviation Organisation (ICAO), airlines, airports, manufacturers, governments and medical experts – have been working together to develop a plan for safe travel even as the challenges of COVID-19 remain. It has led to the ICAO 'Take-off' blueprint to restart the industry, which aligns with IATA's own roadmap to get us up and running.

There is no silver bullet. Until a vaccine is found, there is nothing that is failsafe, but layers of measures — each reducing risk at each stage of the journey — can have the cumulative effect of significantly reducing risk.

The measures to protect your safety begin at the airport. The first thing we want to do is ensure that unwell people do not fly. We will continue to communicate that it is the personal responsibility of everyone to stay home if they have a fever and passengers will have their temperature checked at the airport as an extra measure. To keep numbers manageable, only passengers (and their caregivers if required) will be allowed into the airport.

Masks will become a feature of travel. Evidence tells us that COVID-19 can be spread by people who show no signs of the disease. Wearing a mask helps to prevent the spread of the disease by people who do not know that they are sick. You will see airline staff wearing them. You will be asked to as well — from the time you arrive at the airport until you reach your destination.

The next layer is speed and reduced contact. That means having passengers arrive at the airport ready to fly using online check-in and a home printed bag tag where possible. If not, then it is automated processes with kiosks for check-in and self-service boarding.

That's not all. Airline staff will most likely be behind plexiglass barriers. There will be more deep cleaning everywhere but particularly for high-touch areas such as kiosks and security trays. Similarly, we are working on more efficient ways to queue and other measures so that safe distances can be maintained.

Our surveys show that the biggest concern is the person seated next to you. This is totally understandable. In fact, many expect that the "middle seat" needs to be kept empty so we can extend physical distancing on board. However, that will not generate the distance suggested by health officials which is usually one or two metres.

Instead, we are following the advice for situations where physical distancing is not possible, which is to wear a mask. On top of that, we are adding other layers of protection. We are re-thinking boarding and disembarking to get people seated or off the aircraft more efficiently. We are simplifying service on board to minimize the interaction with crew and we will ensure that people do not congregate around the washrooms.

People should also be aware of some other barriers to disease spread. Passengers generally face forward and do not move around that much. The seatback also acts as a barrier to stop respiratory droplets jumping rows.

There are also some very important design features on board including the airflow which is directed from the ceiling to the floor so there is not much air movement backwards and forwards which can help reduce the spread.

Also, you might not realize that air is exchanged 20-30 times an hour with fresh air from outside the aircraft. That is about ten times more often than most modern office buildings and for the air that is recycled, it goes through High Efficiency Particulate Air (HEPA) filters — the same ones that are used in hospital operating theatres.

I wish that I could say with absolute certainty that there is no risk of catching COVID-19 in the cabin. There is risk in every interaction we have with other people — when shopping, working, dining or flying. What I can say though, is that we have not seen that risk manifest in many cases of onboard transmission.

The main example is a flight from the UK to Vietnam early March that saw one symptomatic passenger potentially passing the virus to several others. However, there are also published studies of two recent flights between Asia and North America with known symptomatic passengers where no transmission was detected despite extensive contact tracing. Therefore, the risk of onboard transmission appears to be low and the measures that we have put in place will reduce it further.

Finally, it is important to know that these measures, hopefully, will be temporary. As science unlocks the secrets of vaccination, we will ease or lift what measures we can, in line with medical advice.

Trust is personal. You will need to make up your own mind if the reason for your next trip by air justifies what you perceive to be the risk. For me, the answer is yes. As the industry re-starts, I will be visiting stakeholders in many parts of the world and as summer approaches, I am planning to travel with the family. Both trips will involve planes. I know that the benefits of the travel will be big and I trust the measures we have in place to keep me, my colleagues and my family safe. I hope that you will come to the same conclusion.

TO FIND OUT MORE ›

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Director-General and CEO of IATA

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02. LEAD LINES – CHANGE AFOOT

AUTHOR: *MARTIN JACKSON, HEAD OF AVIATION AND SPACE – HDI GLOBAL SPECIALTY SE*

21 years ago, a colleague and dear friend of mine wrote an article called "The Cortina, Hamburger and two weeks in Benidorm". The piece reflected on how, similar to the subject matter of his title, precious little had changed over the previous 20 years in terms of the market's product offerings and how it conducted business.

That piece still has much relevance; whilst the car, the burger and how we holiday have changed, by contrast it is somewhat disappointing that how we provide and conduct insurance has progressed at a much slower pace. The specialty insurance industry may have grasped less of the third let alone embraced the fourth industrial revolution than many other industries.

Now we find ourselves clearly in a key moment in history. No one anticipated (other than perhaps some epidemiologists and dare I say Hollywood scriptwriters) we would be at the hands of a global pandemic in 2020, sent home in lockdown and the economy on its knees. The seismic shift we are all now experiencing will perhaps become that disruptor and catalyst for fundamental change.

How we are dealing with this challenge in the short term is to the credit of all: that we have been able to continue to trade from day one at home, to keep the market open and provide the service we only thought possible at the office. Overnight we transformed our spare bedrooms, kitchens, lounges and any spare area into our working space, setting up two screens and immediately binding policies, replacing a long tradition of hard copy slips and ink stamps that many felt could not be replaced. Whilst the technology is not new or entirely sophisticated, the fact that the solution has been embraced by almost all is a surprise to many. Similarly, the ability to maintain face to face where necessary, something no one wants to entirely replace, is an issue only in deciding what actual app or video conferencing provider to use.

Whilst operationally it is a success, it is evident that everyone is busier. The incredible amount of work supporting our clients has intensified and as we now enter into reserving and planning periods, we wait to understand how the world will open up again.

In the face of such significant challenges, the prime focus remains on the client. That we stand by their side is evident but we need to add context. Over my time in the industry, we have seen two gulf wars, 9/11 and SARS. That we are able to step up now should not be a surprise and in the face of risks from ground accumulation and the return to operation for thousands of aircraft the market stands firm in support.

Our responsibility is to service the needs of our clients and that is clear. However, it is also our responsibility to ensure a robust and healthy insurance market survives, without which no business can grow.

Poor results have driven capacity away and pricing recovery is too late for many. The market has responded with only gradual pricing corrections, and through this current crisis, it has been willing to deflate the premium pot and extend credit. The market tries to find the path between what is both the fairest way for clients and insurers alike, and arguably, what is good for insurers is ultimately good for the client.

Alexandre de Juniac of IATA, explains that trust is key as the industry looks to reconnect the world. As we focus on the current crisis, we aim to maintain trust with our clients and consider what broader challenges in our industry we must address post COVID-19.

Many will relish the opportunity to work from home more regularly, but most admit the need for stimulus of an office environment. People are any company's greatest asset and the success of our business has been the ability to work in teams, grow relationships and networks, to benefit the client where the broker and underwriter relationships are strongest. Getting the right balance is key.

As a market, we need to ensure our product is valued. That clients spend more on toilet roll is a myth but to reverse the notion that our product is just a commodity is key.

Competitive forces such as digitalisation will intensify. Whilst generally the industry has only limited success in keeping up with technology, how we have adapted during lockdown will act as a driver to transform our processes. Costs are key as savings can be passed on. Long may face to face continue but I will be happy if I never have to use a physical stamp again.

Data and predictive analytics are making pricing models more robust, less reactive, and will smooth the cycle somewhat leading to better expertise in underwriting and broking.

We can no longer be blasé and consider the 1 in 100-year event not to occur in our lifetime. The systemic risk of pandemic, cyber and the 'unknown unknowns' should be at the forefront of our minds. The emerging risk landscape is real and reliance on capital should not always be taken for granted unless appropriately managed.

Finally, it is our responsibility to fully understand the industry we are aligned with, to avoid disconnection and the tumbleweed at question time. Aviation and Space are driving forces for technological development and innovation and our own insight is key.

Clearly, the clients' interest remains our focus, we have embraced the challenges of working from home and we are all working flat out all against the backdrop of our own market that has yet to return to sustainable levels. No one can ignore how tragic the pandemic has been, no one has not been touched by it.

Nevertheless, in our parochial world of aviation insurance I look to the future now with more optimism than ever. Admittedly the Cortina was the car of choice when I was about to start driving and as a 16-year old my first holiday was, I hate to admit, to Benidorm. Nonetheless, we will look back at the events of 2019/2020 as the catalyst for the market to address existing and future challenges thus making it fit for the 21st century.

TO FIND OUT MORE ›

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03. MARKET UPDATE

As parts of the global aviation community slowly start to return to some form of normality in their daily business activities after months of lockdown on account of COVID-19, businesses continue to weigh the impact of the virus. As the road to recovery begins, COVID-19 and the damage done is likely to accelerate trends that were already shaping the insurance market globally and this means the current challenges are expected to continue.

1. At the mid point of the year how have conditions in the aviation insurance market developed?

In our last edition, we commented that the direction of travel in the underlying rates was upwards as the market attempts to address poor profitability following a long and sustained soft market together with some exceptional claims activity in recent years. This position still remains the same as the second quarter of 2020 closes, but the on-going effects of COVID-19 continue to add pressure.

At this point, the pandemic has not changed the current market-rating environment and aviation insurer's ambitions remain to continue to increase technical rates, albeit while providing relief measures and trying to remain sympathetic to their client's plight. Looking ahead post lockdown, with the expectation that the overall loss to the insurance industry will be substantial, it is reasonable to assume that COVID-19 will act as a catalyst for rate increases and may translate through to a harder global insurance market. Just how this will impact the aviation class it is too early to say, however, we were already experiencing market hardening and upwards pricing pre-COVID-19 and therefore any added pressure or future change in capacity could exacerbate this trend.

2. How will COVID-19 impact the insurance market and aviation insurers?

This is dependent on a number of moving factors and much will be contingent on how long the pandemic continues. Lloyd's of London recently estimated 2020 underwriting losses covered by the global insurance industry as a result of COVID-19 are approximately USD107 billion, on par with some of the biggest major claims years for the industry, such as when three catastrophic windstorms have struck (2005: hurricanes Katrina, Rita and Wilma; 2017: hurricanes Harvey, Irma and Maria). However, it is important to recognise that these natural catastrophes were geographically contained events, occurring over the course of hours and days, vastly different in nature to the global, systemic and longer-term impact of COVID-19.

In the aviation class, the direct impact of COVID-19 on aviation insurers is relatively small (when compared to their aviation clients and colleagues in other lines of business) in that pandemic losses are not covered under traditional aviation insurance policies. That is not to say that the pandemic is not having an impact on aviation insurers as it is. Aviation is arguably one of the industries most impacted by the pandemic and the damage done will take some years to recover. The aviation market is relatively small in size and so the impact of any casualties, coupled with a forecast decrease in future passenger demand and exposures will undoubtedly result in a significant drop in premium income levels for insurers, at least in the short term. Each client's situation is however, unique and so the overall hit on premium volume is unlikely to correlate proportionately to the overall global reduction in exposures and passenger numbers.

3. How are aviation insurers reacting during this challenging period?

On the whole, aviation insurers continue to respond sympathetically towards their clients. They understand the severity of the situation and their client's current focus on liquidity to ensure their survival. Through our negotiations, we have been successful in gaining agreement to a wide range of measures to support our mutual clients such as premium adjustments and returns, reductions in deposits and instalments and various payment extensions and deferrals. Understandably, the actual result depends on the circumstances of each client, its policy specifics and structure and in part the skill and relationships of the broker. Insurers are taking differing approaches but all are undertaking strict analysis of each proposal on a case-by-case basis reviewing claims history, credit risk, relationship and past payment record amongst other factors. While a select few insurers have disappointingly been less flexible in their negotiations and response and or attempted to introduce COVID-19 related policy exclusions, fortunately the majority have reacted positively. As our Lead Lines contributor comments, "the market is trying to find the path between what is both the fairest way for clients and insurers alike".

On a separate point, it should be noted that one consequence of the current situation and the support efforts taking place is that everyone is busier with workloads having increased significantly for both brokers and insurers at a time when most employees continue to work remotely from home and navigate new ways of working. Positively, in our experience, all parties are dealing with this challenge excellently but insurer response times have increased and the situation is likely to severely test resources at some entities in the coming months as we approach the final quarter, the busiest renewal period for aviation insurance. Gallagher clients can be assured during this difficult period that we remain highly resourced and we will continue to engage and work collaboratively with your insurers in order to maintain excellent service and manage the hurdles that all parties continue to face from this pandemic.

4. Capacity

As the second quarter concludes, capacity levels have reduced further following the withdrawal of four markets. Cincinnati Global Syndicate 318 has ceased accepting new or renewal aviation business, Antares has exited the class, Trust Re have ceased underwriting Facultative Aviation business, meanwhile Starstone International and its operating companies have stopped writing new and renewal business, putting their business into immediate run-off.

In contrast we have only witnessed one new entrant, this being Rokstone Underwriting, an MGA which has started underwriting aviation business using the security of existing carrier Best Meridian International Insurance Company (BMI) and its panel of reinsurance markets. While we have seen numerous reports of other new entrants and syndicates planning to launch in the fourth quarter of 2020, it is unclear at this stage whether any of these companies will target aviation business.

It can be said that some markets are showing an increased appetite for aviation business and have been willing to deploy greater capacity on some risks, however this is very much dependent on particular circumstances and the underlying pricing levels. While a number of insurers have also moved to raise capital in recent weeks citing plans to increase capacity as well as expand into new lines of business, it would seem this move is primarily driven by the hardening market and insurers wanting to take advantage of higher prices.

› Continued on page 12

Ratings activity has also increased in recent weeks with multiple ratings agencies publishing negative outlooks for the property/casualty and global reinsurance sectors and or downgrading some insurance companies. Fortunately this has, so far, only applied to a small percentage and these revisions have not been so severe as to have impacted aviation capacity levels. Positively, in recent weeks various ratings agencies such as AM Best and Fitch have also undertaken insurer stress tests and the results have highlighted good news in that their indications suggest most insurers have sufficient capital levels to buffer against near-term large insured losses. Insurer results in the forthcoming months will continue to be closely monitored and it is unwise to rule out the potential possibility of some impact on future capacity.

Notwithstanding the above, with positive signs of recovery from the pandemic now being seen and insurer optimism that rate increases will continue through 2021, we believe that in the short term the majority of insurers will remain committed to the aviation class. That said, much will depend on how the pandemic continues to play out, how quickly aviation recovers and the individual year-end results of each insurer. With months of the year still to run and the 2020 Atlantic hurricane season now underway many insurers still remain vulnerable to additional losses which would only further compound the situation.

5. Have aviation losses reduced due to COVID-19?

At the mid point of the year the overall aviation loss picture, both catastrophic and attritional, looks better than during the same period last year. However, with a significant portion of the world's fleet still sitting idle and travel restrictions ongoing across most of the sector, this must be taken in context. Even during this period of reduced operations, we have continued to record major claims activity, including the tragic loss of Pakistan International Airlines flight PK8303 in which some 97 people were killed, and costly satellite and space launch vehicle losses amongst others. We have also observed various miscellaneous mishaps such as a foaming incident in an American Airlines hangar in Chicago, alongside other bumps, scrapes and ground incidents, some of which have led to costly repair claims.

While one might make assumptions that given the duration of this reduced period of operations the year-end figures will appear positive in comparison to other years, the fact is that there is still a significant proportion of the calendar year to run. Catastrophic loss events are unpredictable and can happen any time, meanwhile we cannot discount the potential that we might see a spike in attritional claims as operations return from lockdown, fleets come out of storage and aircraft are relocated.

We must also consider that until airlines return to full operations the aggregation of aircraft/assets on the ground will remain a larger than usual risk. With many airports accommodating larger numbers of parked aircraft, terror risk, malicious acts, wildlife hazards and or extreme weather events such as a hurricane or typhoon will continue to pose a considerable threat. Indeed, two US regional airports were struck by tornadoes in April, suffering substantial damage and resulting in the destruction of a number of parked aircraft. Fortunately, for airline insurers these aircraft were not large commercial jets and were smaller lower value aircraft, but they serve as an example of the inherent risk aviation faces.

Considering the above and against the backdrop of reduced annual income for aviation insurers, it is still entirely feasible that 2020 could become another consecutive loss year on a premium versus claims basis.

As operators and businesses start to resume services, a number of new safety support programmes are being offered by different companies designed to support operators with their transition back to service in a safe and compliant manner. With insurers looking closely at client's preparedness and transition plans and loss ratios being scrutinised more than ever, we believe that it is important risk managers and insurance buyers carefully review the additional challenges faced and consider the value in exploring these useful resources and solutions.

6. What is happening in the different aviation segments?

Airline segment update

In terms of airline insurance, pricing rates have continued to increase in-line with the on-going trend, albeit at a slightly slower level than we might have predicted pre-COVID-19. As mentioned earlier, most insurers have adopted a measured response in terms of both requests for temporary premium relief and also renewal pricing, based on a considered impact assessment and the underlying risk profile of each individual airline. While practically all airline clients are presenting significantly reduced risk exposures on renewal, insurers are cautious of their need to provide some certainty to their management of potential impact on premium income and so where possible a number have reverted to offering renewal terms based on minimum earned premium allocations.

General Aviation (GA) segment update

In terms of COVID-19 and its impact, many GA clients have been fortunate in that they have been able to operate at far higher capacity levels throughout this pandemic than their bigger airline relatives. A large proportion of non-leisure related GA business such as medevac services and contract operations including pipeline inspection flights, oil rig support work, calibration flights, police and governmental services etc., have to some extent been largely unaffected by the pandemic restrictions. Ad-hoc charter flights have also remained steady throughout with increased numbers of repatriation and medical supply flights.

Recognising this, many of the measures being deployed in the airline segment such as premium adjustments/returns and reductions in deposits/instalments have not been necessary and or accepted by underwriters. Many of our GA clients have effectively remained in full flight risks as GA has not, in many countries, been officially locked down. That said, understandably there have been some exceptions and the actual result again depends on the circumstances of each client and its policy specifics.

In terms of renewal pricing, rates continue to rise in this segment albeit with significant variation between different geographies and operational sub-sets i.e. rotor-wing, fixed-wing, military, private, business etc. Capacity levels have reduced further in recent months following additional withdrawals and are now extremely low for some risks resulting in some challenging renewals. Insurers continue to exercise strong discipline in this segment and we are also witnessing an overall tightening of conditions on things such as lay ups, good experience returns, search and rescue limits, UPI and extension for crew members amongst others.

› Continued on page 13

Aerospace Manufacturers and Infrastructure segment update

One of the key differences between the aerospace class versus that of airline or general aviation is that the cover provided in this segment has ‘long-tail’ liability, meaning that incidents from several years ago can come to fruition as liability claims many years later. So far in 2020, we have not seen any new major incidents that we expect to impact the segment in the future. However, the events of 2018/19 with the Boeing Max grounding and the liabilities resulting from two major airline losses are yet to be fully understood and accounted for as third party passenger claims remain outstanding. Certainly, the magnitude of these combined claims is having a significant impact on insurers within this segment. With insurers yet to recover from the substantial losses seen in the last few years and at the current premium level, income is not sufficient to cover the seemingly higher frequency of attritional losses in this sector, capitalise for the catastrophe and also make a profit.

COVID-19 is still having just as much of an impact in this sector of the aviation industry as the airlines. Insurers are sympathetic to the financial issues that COVID-19 has brought to the aerospace industry but they are still not offering mid-term premium adjustments in this segment, largely due to that long-tail nature of liability risks as mentioned earlier. They are however, trying to take the reduction in exposures in to consideration at renewal, but as witnessed in the other aviation segments each risk continues to be assessed and rated individually.

The premium/rate increases that we were experiencing in this sector at the end of 2019 and through the beginning of 2020 are still being sought by insurers. Whether that increase is premium or rate based very much depends on the sum insured provided and the exposures of the individual risk. Many insureds in this sector have premiums that are very much determined by the level of cover that they are buying (often as per a contractual requirement). With the cost of capital on the rise, even with significant reductions in exposures, these individual risks may incur a higher ‘rate’ increase than a larger risk that has a higher base premium because ultimately their premium is driven more by exposures or claims than the capital needed. For those purchasing low to moderate limits with good loss records and low risk exposures, capacity remains readily available, allowing for competition and leverage to temper large premium increases. However, the market is a far more challenging and restrictive market for those with critical exposures and or are loss active.

› Continued on page 15

Space update

Just prior to the start of Q2 an in-orbit anomaly on-board the Russian satellite Express-AM6 resulted in a loss to the market in the region of USD20m. This was quickly followed by the launch vehicle failure of the Long March 3B rocket carrying the Palapa-N1 satellite that was insured for circ. USD250m. This brings the total amount of notified claims to the space insurance market over the past 12 months to be in excess of USD1.1bn. These claims have brought further scrutiny from underwriters and their management following poor results in 2019.

COVID-19 effects have been seen in the space industry, with business disruption due to offices being closed, however for most company's business remains strong. One particular effect of COVID-19 has been the closure of many launch sites, however, these are now starting to open with US ranges operating with social distancing and Arianespace in French Guiana due to open in June. If all goes to plan, this will allow those launch providers to start to address the current launch backlogs.

Reduced premium due to launch delays and an overall reduction in satellite orders for major operators means that 2020 so far has been a very slow year for premium income. Nevertheless, rating levels remain the same as at the start of the year with no additional increases or restrictions directly attributable to COVID-19 as of yet.

Ample capacity remains available for most risks, but the higher level of underwriting scrutiny means some technically challenging risks and large sums insured are proving to be a challenge to place. That being said, due to the low premium level earned so far this year, competition is strong amongst insurers for good risk profiles and risks which can bring significant income.

In summary

- The direction of travel in the underlying rates is still upwards.
- Market expectation that the overall COVID-19 related loss to the insurance industry will be substantial.
- COVID-19 could act as a catalyst for future rate increases and insurer optimism is that the current rating trend will continue through to 2021.
- Capacity levels have reduced further in recent months and will continue to be closely monitored.
- Aviation loss activity has reduced but claims continue and there is still a significant portion of the calendar year to run.
- On the whole insurers have adopted a measured response in terms of both requests for temporary premium relief and also renewal pricing, albeit based on a considered impact assessment and analysis of each proposal on a case-by-case basis.
- It is vital that buyers partner with an insurance broker that has the resource, experience, leverage and insurer relationships to navigate this challenging period.

TO FIND OUT MORE ›

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04. AVIATION MARKET AND INDUSTRY NEWS

Sompo International to exit Lloyd's in 2021

Sompo International announced it will cease writing business in Lloyd's from January 2021 as the Bermudian carrier seeks to consolidate its London presence. The (re)insurer will stop transacting business through Syndicate 5151 and Endurance at Lloyd's and move its business into one company market platform. From next year, renewals and new business will be written through Endurance Worldwide Insurance Limited.

Cincinnati Global Syndicate 318 exits the aviation class

Cincinnati Global announced that its Lloyd's Syndicate Cincinnati Global Syndicate 318 has ceased accepting new or renewal aviation business effective immediately. The company said it will continue to service existing business through to the end of current contract terms. In a broker communication, Cincinnati said it had experienced difficulty achieving scale, and that the sector's major challenges had been exacerbated in the current environment.

Antares ceases writing aviation insurance

Antares Underwriting has exited the aviation insurance class following a strategic review led by parent company QIC Global. Antares previously wrote a wide range of business including airlines, aerospace, war, satellite hull and liabilities on both a direct, facultative and reinsurance treaty basis. The move comes as part of a continued overhaul of the business, which has also seen the insurer withdrawal from the open market property class.

StarStone International put into run-off

Enstar announced that following a strategic review, StarStone International and its operating companies will stop writing new and renewal business. This means that Lloyd's Syndicate 1301 (managed by StarStone Underwriting Ltd), StarStone Insurance SE and StarStone Insurance Bermuda Limited, will be put into immediate run-off. Renewal rights have been contributed to Atrium for Lloyd's Syndicate 609.

In a press release, the company said that "despite considerable progress in repositioning StarStone International, StarStone's shareholders determined the business does not have the scale to compete effectively in the specialty insurance market". The company added that StarStone US would remain fully operational, following a recapitalization with new investors and a rollover of Enstar's existing equity.

Munich Re to merge Aviation and Space departments

Munich Re has announced that its Aviation Direct and Space departments will be merged together to become "Aviation and Space Direct", effective 1 August 2020.

Munich Re said the merger was the result of an extensive evaluation around the key similarities that exist within the two units. Both are primary businesses with high levels of complexity that require specialty knowledge. The joint operating model will reduce complexity, improve negotiation conditions and streamline business processes.

As part of the merger, Stephanie Deml, currently Head of Aviation Direct, will assume responsibility as Head of the new department. Stephanie joined Munich Re in 2005 and has held various underwriting and client management positions since that time in the Aviation department. Given her specialty insurance experience in the aerospace market, Munich Re said Stephanie will ensure a smooth transition into the new structure.

Alongside the announcement, Munich Re said Christian Reidl, currently Head of Space Underwriting, will begin partial retirement on 1 August 2020, leading into his official retirement on 1 April 2022.

Lloyd's pegs industry COVID-19 loss at USD107bn for 2020

Lloyd's of London (Lloyd's) has estimated 2020 underwriting losses for the (re)insurance industry from Covid-19 at USD107bn, with the Lloyd's market set to absorb USD 3bn - USD 4.3bn of that total.

The industry's combined investment loss is also expected to amount to USD 96bn, bringing the total projected loss to the (re)insurance industry to USD 203bn, Lloyd's said.

The industry loss estimates give weight to market concerns that COVID-19 could represent the largest ever underwriting loss for the (re)insurance industry, although there is still significant uncertainty about how the pandemic will play out.

IATA interactive map gives travelers latest COVID-19 restrictions with real-time alerts available

The International Air Transport Association (IATA) has introduced a free online interactive world map to provide travelers with the latest COVID-19 entry regulations by country. The map relies on IATA's Timatic database which contains comprehensive information on documentation required for international travel. To keep pace with the dynamic situation with respect to COVID-19, Timatic is updated more than 200 times per day to provide accurate travel restrictions specific to the current pandemic, based on one's citizenship and country of residence.

''We support the International Civil Aviation Organization (ICAO) guidelines to harmonize the measures to keep people safe while traveling and provide the confidence to open borders without quarantine measures. And this Timatic offering will be a vital tool for travelers who need easy access to accurate information on entry requirements," said Anish Chand, IATA's Assistant Director, Timatic.

IATA's COVID-19 interactive world map, also available for mobile, can be **viewed here**. The Timatic COVID-19 Alerts service was also launched this week to offer subscribers real-time notifications for all travel updates related to the pandemic.

Source Gallagher / publically available information

Trust Re Portfolio Announcement

In a press release, Trust Re announced that they have decided to cease underwriting Facultative Aviation business and move their existing portfolio into run-off.

The move follows Trust Re's restructuring of its operational model to focus on profitability, cost management and maximising core strengths, following different circumstances including volatile market conditions and the uncertainty created by the COVID-19 pandemic.

Rokstone Underwriting to write aviation business

Rokstone Underwriting announced that they have entered into an agreement to underwrite the aviation portfolio of Best Meridian International Insurance Company (BMI), that was formerly handled by Trust Insurance Management. The new division is headed up by former Swiss Re senior underwriter Wayne Murphy and will continue to be supported by BMI and a panel of international quota share reinsurance markets.

In a press release, the company said the existing Aviation and Hull Liability portfolio currently written by BMI will be offered renewal terms by Rokstone Underwriting at their respective natural expiry dates effective from 1 July 2020.

05. MARKET PERSONNEL MOVES IN Q2

AIG

Alan James has been appointed as Asia Pacific Head of Aerospace, General Insurance. Alan comes into this role with 11 years at AIG across multiple geographies and with extensive sector expertise.

Allianz

Lawrie Capp has joined as a Senior Aviation Underwriter based in London. He most recently held the position of Senior Underwriter at MS Amlin. Additionally, Chuck Couch has been appointed Regional Head of Aviation Programs and Product Development in North America. Chuck was previously Aviation Workers' Compensation Product Lead for Allianz Global Corporate & Specialty (AGCS) in the US.

Convex

Joe Walford joined and is based in London. He most recently held the position of Assistant Underwriter at AXA XL.

elseco

Dermot Dick, former CEO of Q-Re (now Qatar Re) has joined as a strategic adviser to CEO Laurent Lemaire.

Global Aerospace

Maria Torres de Andrade has joined as Claims Handler & Legal and Sebastien Deichmann has joined as Underwriter, both based in Paris. Additionally, Sindujah Selliah has joined as Operations and Finance Assistant and Laurine Kirchgessner has joined as an Underwriting Analyst, both based in Zurich.

HDI Global Specialty

James Sutherland has joined as a Claims Adjuster in London. He most recently held the position of Aviation Claims Expert at Swiss Re.

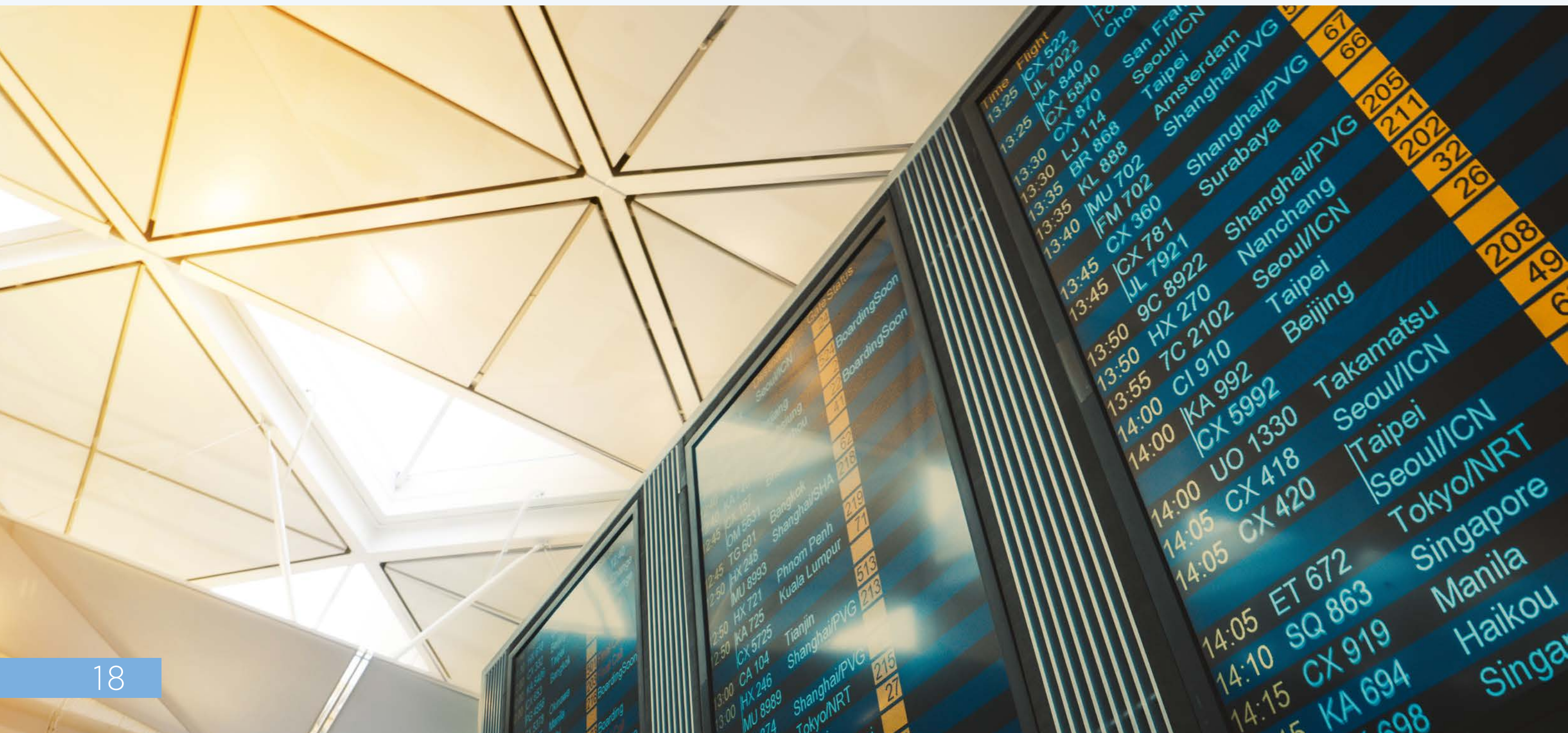
La Reunion Aerienne

Julian Smith has agreed to join as Head of Complex Claims from 1 September based in London. He most recently held the position of Claims Manager at MS Amlin.

Munich Re

Richard Schönherr, currently Senior Underwriter in Aviation Direct has been appointed as Head of Aviation Direct with effect from 1 August 2020. Stephanie Deml, currently Head of Aviation Direct, will assume the responsibility of Head of Munich Re's new Aviation and Space Direct department.

Source: Market knowledge and publicly available information.



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