

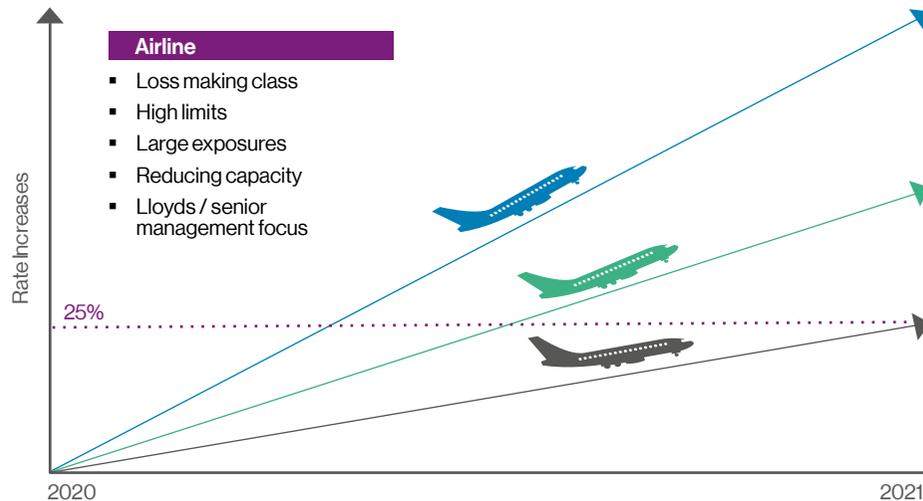
# Airline Insurance Market

2020 Q3 Update

## Accelerating hard market

- Profitability remains a key metric for insurers however premium income level of utmost priority
- Claims and profitability ratios under scrutiny with direct correlation on renewal result
- Average increases of 25%+ are becoming the norm and with potential to be increased by insurers through Q4
- Insurers seek to protect premium base despite heavily reduced exposure, leading to potential rate inflation
- More important than ever to manage brand in the market and relationships with insurance partners

## Airline market insurance rating increases



### Airline

- Loss making class
- High limits
- Large exposures
- Reducing capacity
- Lloyds / senior management focus

### High Risk

- Large limits
- Poor loss record
- Limited capacity
- Actuarial / Senior Management oversight
- Issues with operational functions

### Marginal Risk

- Medium / low limits
- Profitable loss ratio
- Operational profile stable
- Reducing capacity

### Preferred Risk

- Low limits
- Excellent loss record
- Excellent operational profile
- More capacity



## Underwriting performance

- Since 1 May Cincinnati, Antares and Starstone have all ceased writing aviation lines
- 11 insurers have now withdrawn from Aviation in the last 12 months (estimated 31% reduction of capacity for a large risk)
- Widespread lay-ups are being extended due to the prolonged COVID-19 travel restrictions which may result in accelerated premium increase in Q4 2020
- Insurers have sought to be flexible about premium payment terms. Insurer concerns over their own premium cashflow with minimum premium levels imposed by their reinsurance protection programmes. This dynamic will become more acute as COVID-19 travel conditions continue to prevail
- Claims continue for insurers despite significant downturn in global operations



## COVID-19 market impacts

- Prior year premium income levels radically reduced
- Reinsurers attempt to implement COVID-19 insurance exclusions
- Cashflow concerns for reinsurers heading into Q4
- Minimum premiums becoming standard practise
- Insurers battle to protect core premiums
- Continually shifting risk exposures as global picture unfolds is fuelling uncertainty in the market and risk of rate inflation



## Wider Market influences

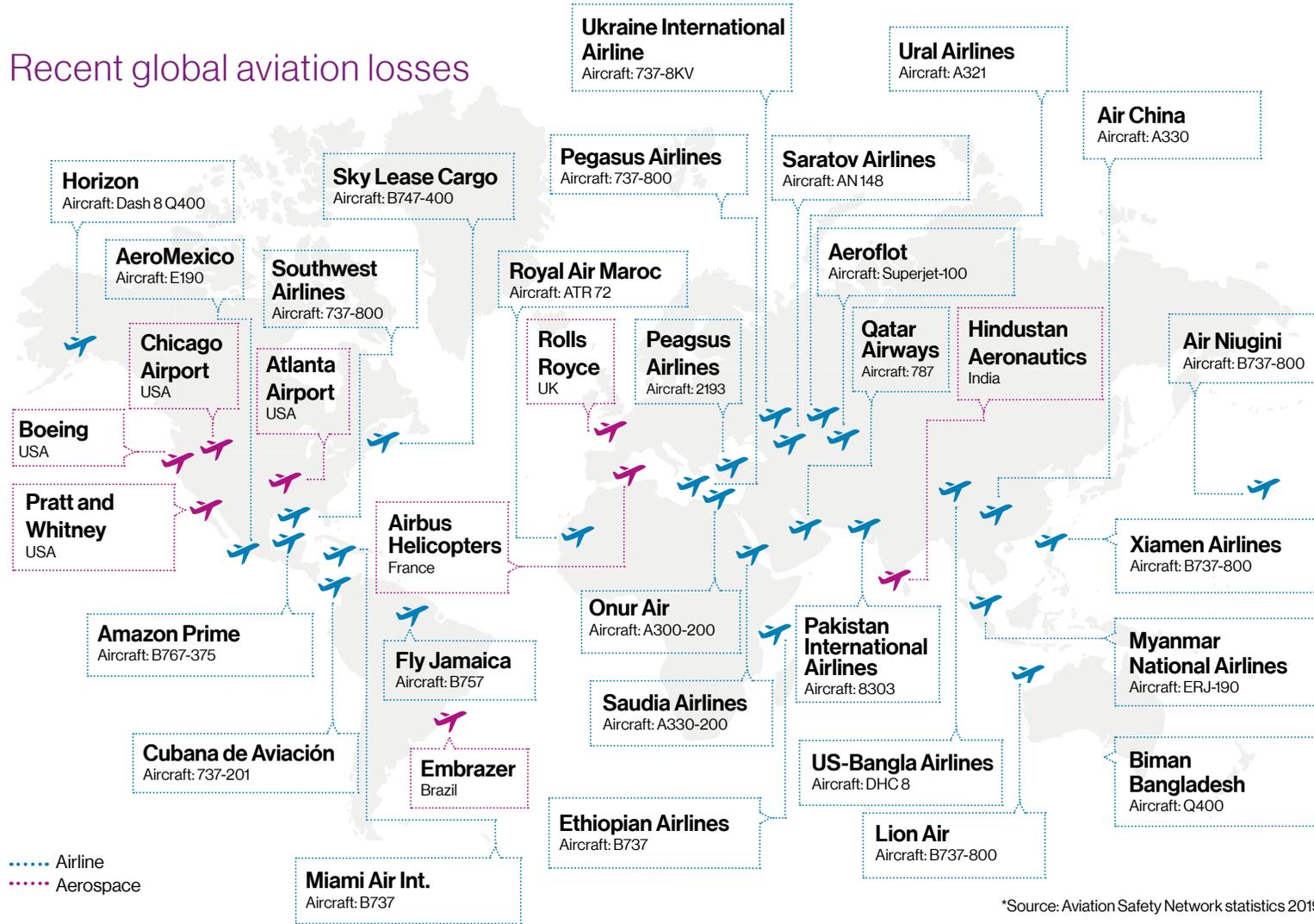
- Focus on Decile 10 continues for under performing syndicates and certain classes continue to be monitored
- Fidelis, Convex and Helvetia still within first full year underwriting, licensing still restricts them in certain geographies
- Insurers impacted by reinsurance programme renewals from 1/1
- Associated reinsurance costs expected to be in excess of 30%
- Allianz withdrawal from Excess of Loss reinsurance
- Natural catastrophe exposures now being modelled and tracked by insurers - risk and analytics integral to support client decision making



## Ancillary Coverages

- Hull War market is hard and rate increases are minimum 50% and could worsen as Insurers face reduced exposures
- Hull War insurers increasingly concerned with aggregation of multiple aircraft on the ground
- New Hull War Excess Aggregate product is available, but with limited capacity
- AIG have reduced their Excess AVN 52 capacity from \$350m to \$100m contributing to market premium increase
- Excess AVN52 market seeing premium/rate increases of 10%-15%

# Recent global aviation losses



\*Source: Aviation Safety Network statistics 2019

## Did you know...

We have wide range of analytical tools and client platforms.



### Identify

We launched an analytic tool, Identify. This provides us unique data on the appetites of insurers.

> [Click here for information](#)



### Risk Intelligence Central

A digital platform, providing instant access to vital information, at the time you need it.

Real time visibility of your program and policy.

> [Click here for information](#)



### Risk and Analytics

A team who can provide bespoke actuarial analysis of your program and exposures.

Using data to empower the insurance transaction.

> [Click here for information](#)

## Risk resilience

Our global team of aviation specialists have published many risk based reports and articles. Providing insight into the strength of skill and expertise of our team.

Read our recent articles here:

- > [Pandemic, premiums and perspective](#)
- > [Changing times bring changing risk profiles](#)

We are a well establish global Advisory, Broking and Solutions company with roots dating back to 1828. In 2021, Aon and Willis Towers Watson are due to combine forces creating a 95,000 workforce allowing us to accelerate innovation on behalf of our clients. Until the transaction closes, Willis Towers Watson is business as usual and we remain separate and independent companies, please see [here](#) for the official press release.

Willis Towers Watson offers insurance-related services through its appropriately licensed and authorised companies in each country in which Willis Towers Watson operates, for example:

- In the United Kingdom, Willis Limited, registered number: 181116 England and Wales. Registered address: 51 Lime Street, London, EC3M 7DQ. A Lloyd's Broker. Authorised and regulated by the Financial Conduct Authority for its general insurance mediation activities only.
- Willis Towers Watson SA/NV, Quai des Venues, 4020, Liège, Belgium (registered as a branch in the UK at 51 Lime Street, London, EC3M 7DQ UK Branch Number BR021056) in relation to all EEA-regulated business. Authorised by the Financial Services and Markets Authority (FSMA) Belgium, and authorised and subject to limited regulation by the Financial Conduct Authority. Details about the extent of our authorisation and regulation by the Financial Conduct Authority are available from us on request. For further authorisation and regulatory details about our Willis Towers Watson legal entities, operating in your country, please refer to our Willis Towers Watson website. It is a regulatory requirement for us to consider our local licensing requirements prior to establishing any contractual agreement with our clients.

Copyright © 2020 Willis Towers Watson. All rights reserved  
FPS 942 WTW414277/03/20

[willistowerswatson.com](http://willistowerswatson.com)

This publication offers a general overview of its subject matter. It does not necessarily address every aspect of its subject or every product available in the market. It is not intended to be, and should not be, used to replace specific advice relating to individual situations and we do not offer, and this should not be seen as, legal, accounting or tax advice. If you intend to take any action or make any decision on the basis of the content of this publication you should first seek specific advice from an appropriate professional. Some of the information in this publication may be compiled from third party sources we consider to be reliable, however we do not guarantee and are not responsible for the accuracy of such. The views expressed are not necessarily those of Willis Towers Watson. Copyright Willis Limited 2020. All rights reserved.