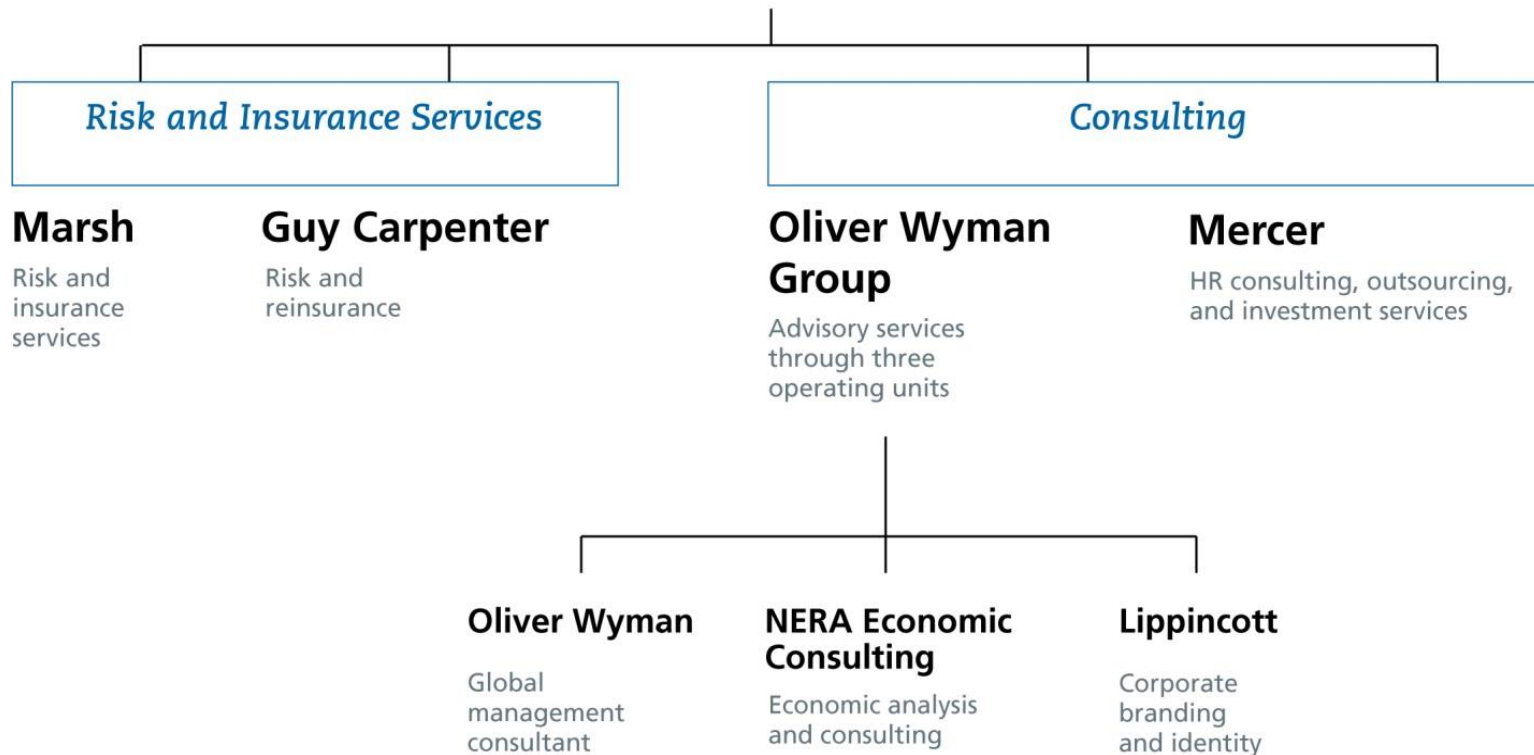


# AVIATION INSURANCE AND RISK MANAGEMENT WALA CONFERENCE 2017

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# An Overview of Marsh & McLennan Companies Within the Group



# A Complex Risk Environment



# Risk Treatment and Control



# Risk

- Airports are highly complex operational environments.
- Different operators within the airport may have very different objectives.
- Understanding the interplay between airports and the various stakeholders is key to insurers understanding of the risk profile.
- Risk mitigations:
  - Operational.
  - Contractual.
- Aviation liability insurance policies often include “Risk Management Bursaries” which whilst subject to insurer agreement can be used to support a wide variety of risk management related initiatives (legal and operational).

# Role of an Aviation Insurance Broker More Than a Transactional Service



## Aviation Insurance Market Overview at Q1 2017

- Aviation insurance market continues to be a buyers market though there are signs of change on the horizon.
- Two key aviation insurance market sectors:
  - Aerospace (includes Airports and Air Navigation Service Providers)
  - Airlines
- Estimated combined premium income from the airline and aerospace portfolio is circa US\$1.6bn\* annually.
- Airports are still sought after though increasing attention on loss experience – notably attritional losses are in many cases significantly eroding premium income.
- At the present time there are between 25 and 30 insurance companies specialising in airport liability insurance programmes.

\* Marsh Ltd

## Aviation Insurance Cover Typically a Broad Policy Form

- Interest clause:
  - “...legal liability arising out of your aviation operations...”
- Coverage is occurrence based:
  - “...an event that leads to third party bodily injury or property damage...”
- Costs and legal expenses are in addition to the limit insured.
- Exclusions.
  - Market standard exclusions apply to all policies purchased in the aviation insurance market.
- Duty of disclosure.
  - Insurers assessment of risk is determined by information supplied by the airport.
- Compliance with relevant regulations.



# Aviation Insurance Cover

- Aviation insurance coverage falls into two distinct but complementary policies:
  - Aviation liability insurance.
    - Limit each and every loss (excepting products and primary war liability cover).
    - Losses occurring.
    - Liability limits of US\$3bn+ potentially available.
  - Excess war third party liability insurance.
    - Aggregated coverage.
    - Losses occurring.
    - Liability limits of US\$1.5bn available.

# Aviation Insurance Cover

## Insurer Considerations When Assessing Risk

- Key influences on insurers assessment of the risk.
  - Passenger movements.
  - Aircraft movements/mix.
  - Security.
  - Air traffic control.
  - Ground service provision/airside operational responsibilities.
  - Construction activities.
  - Losses.
  - Terms and conditions/general approach to risk mitigation.
- Insurer briefings are invaluable as these promote partnership, knowledge and understanding.

# Aviation Insurance Market Overview at Q1 2017

- Insurance market capacity for airports is driven by limits of liability procured.
- Airports procuring liability limits of US\$500m:
  - A number of insurers are able to offer 100% single carrier solutions.
  - This affords buyers at this level several options to chose single carrier or a “quota share” approach.
- Airports procuring liability limits over US\$1bn:
  - No single insurer currently able to retain - “quota share” approach required.
  - Typical “quota share” participations from insurers range from 20% down to 1%.
- Airports purchasing in combination with national Air Navigation Service Providers require multiple insurance market engagement regardless of the limit procured.

# Aviation Insurance Observations

- In recent years general trends have seen limits of liability increasing across the sector.
- Factors that should influence limits of liability include:
  - Geography/legal jurisdiction.
  - Passenger mix.
  - Aircraft types.
  - Air Traffic Services.
  - Terminal accumulations.
- Aviation insurance policies operate on a “losses occurring” basis – longer term relationships do have value.
- Claims
  - Liaise with your insurance broker / insurers in the event of a claim / potential claim – we will partner with you to protect your interests.

# Aviation Insurance Observations

- Relationships with suppliers and operators at airports are key.
  - Terms and Conditions of Use / imposition of insurance requirements on third parties both in the terminal and airside will reduce exposure to an airports own programme.
  - Whilst insurers focus on the key exposure measures such risk mitigations are critical to understanding an airports risk profile.
- Today the aviation insurance market remains a “buyers” environment in the near term though concerns are growing over:
  - Attritional losses.
  - External threats.
- Thank you.

