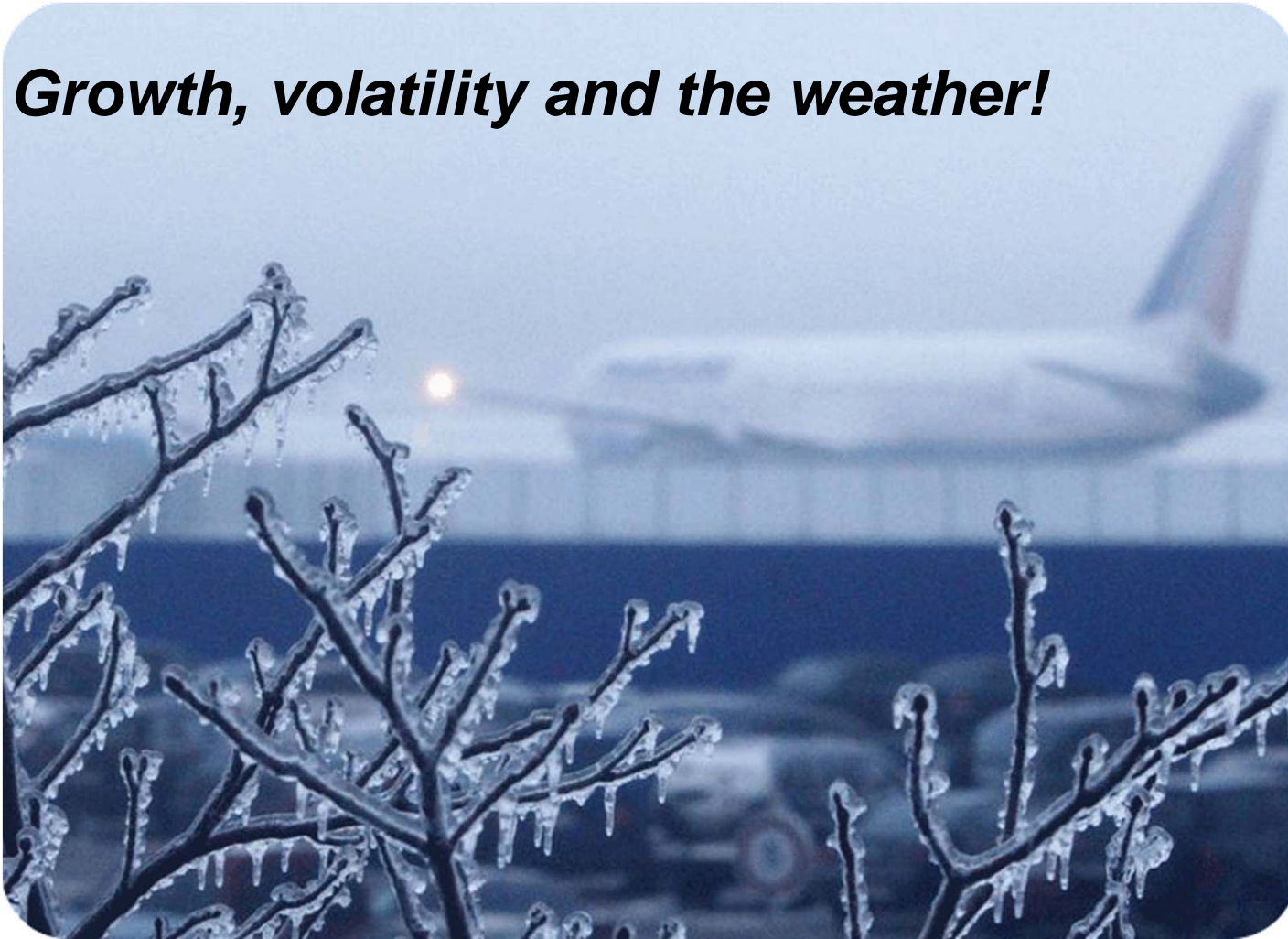


# Russian Airline Insurance

Richard Power

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***Growth, volatility and the weather!***



# Overview

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- Setting the scene
- A macro view of the aviation industry
- The Russian airline insurance sector
- Exogenous factors affecting insurers - ‘other stuff!’
- Concluding views

## Setting the scene...

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*'It was the best of times, it was the worst of times, it was the age of wisdom, it was the age of foolishness, it was the epoch of belief, it was the epoch of incredulity, it was the season of Light, it was the season of Darkness, it was the spring of hope, it was the winter of despair, we had everything before us, we had nothing before us...'*

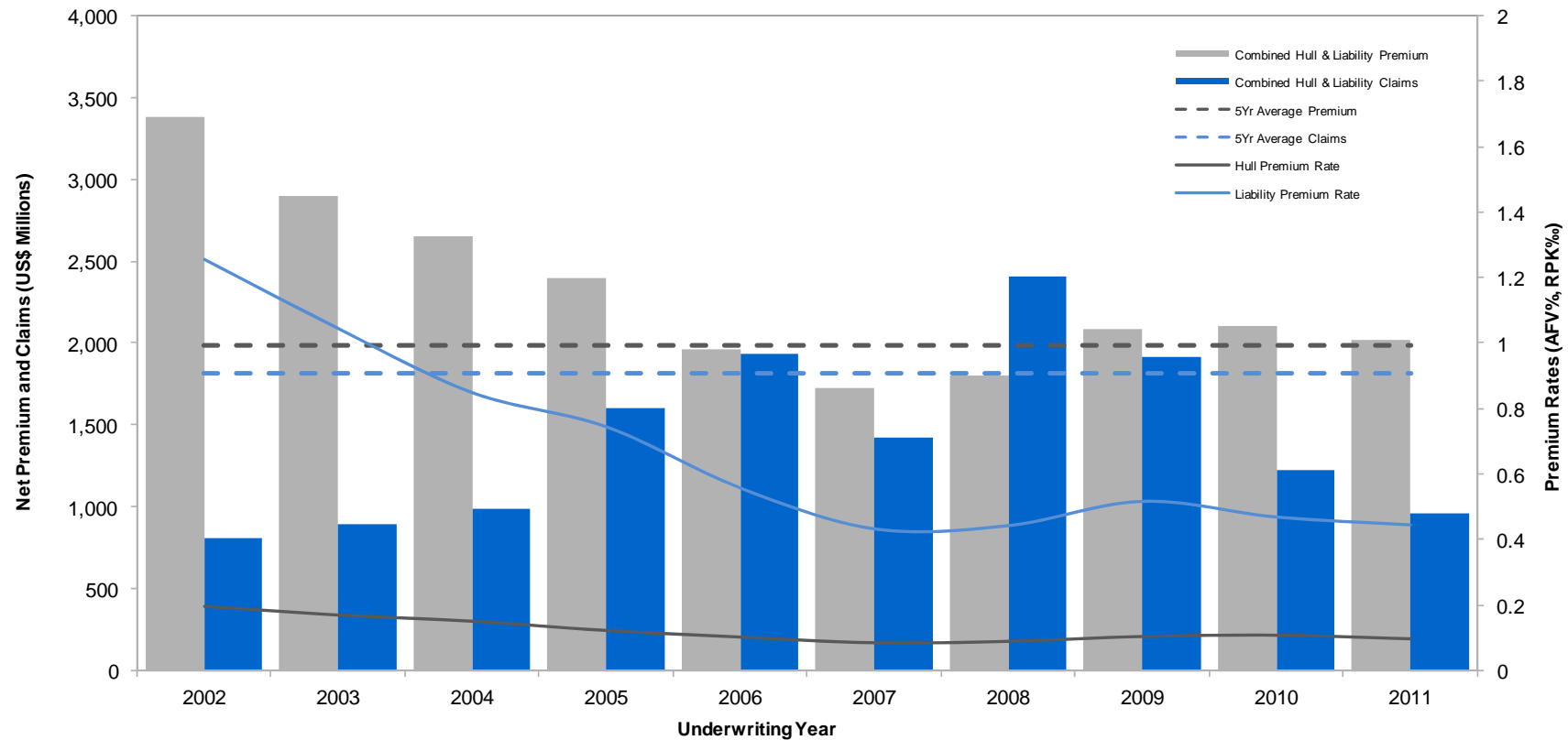
**Charles Dickens, *A Tale of Two Cities* - 1858**

# Industry as a whole



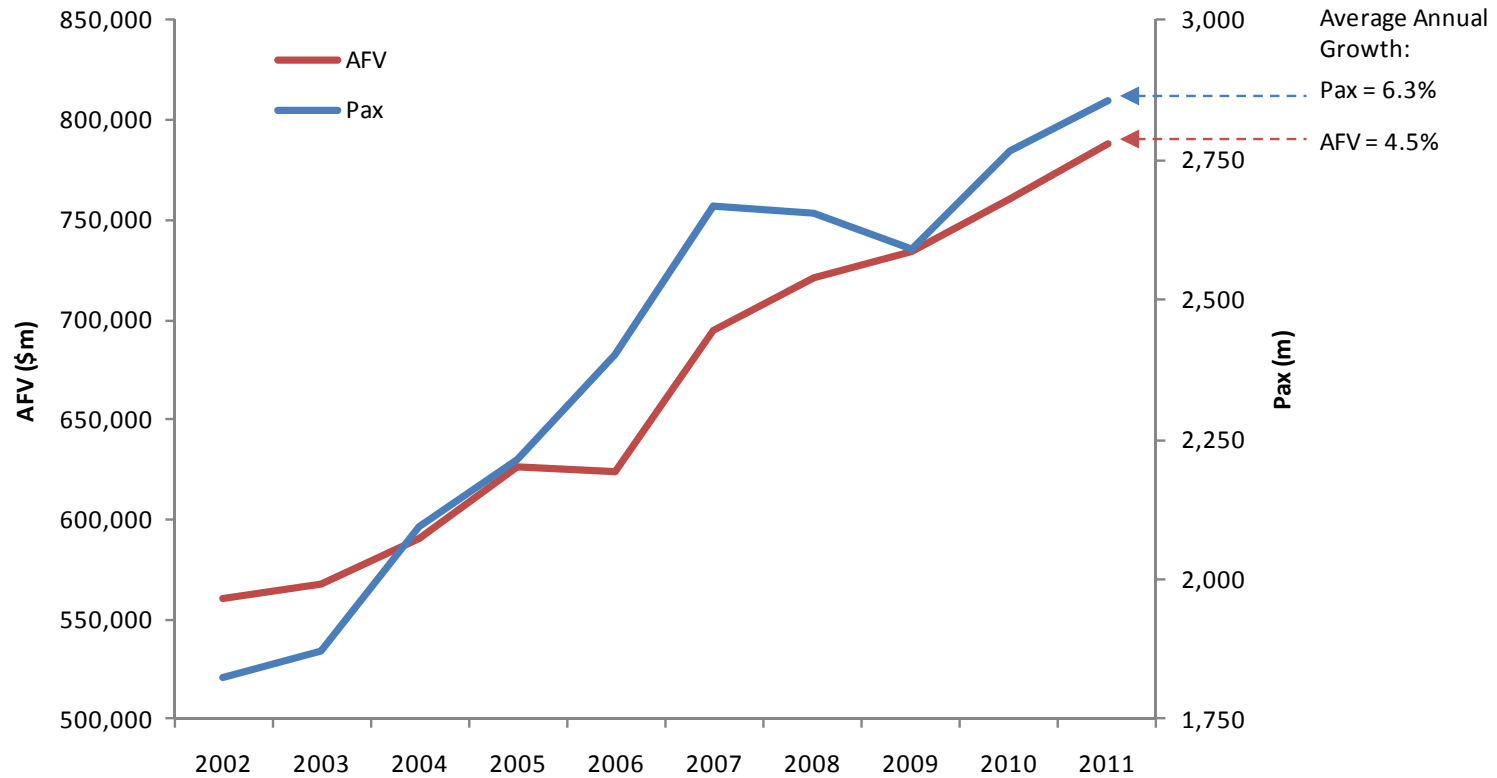
# The business is marginal.

**Global Airline Net Hull and Liability Premium, Claims and Premium Rates**  
(Premium based on London Lead Prices calculated at Inception. Excluding Specific War Related Premium and Claims)

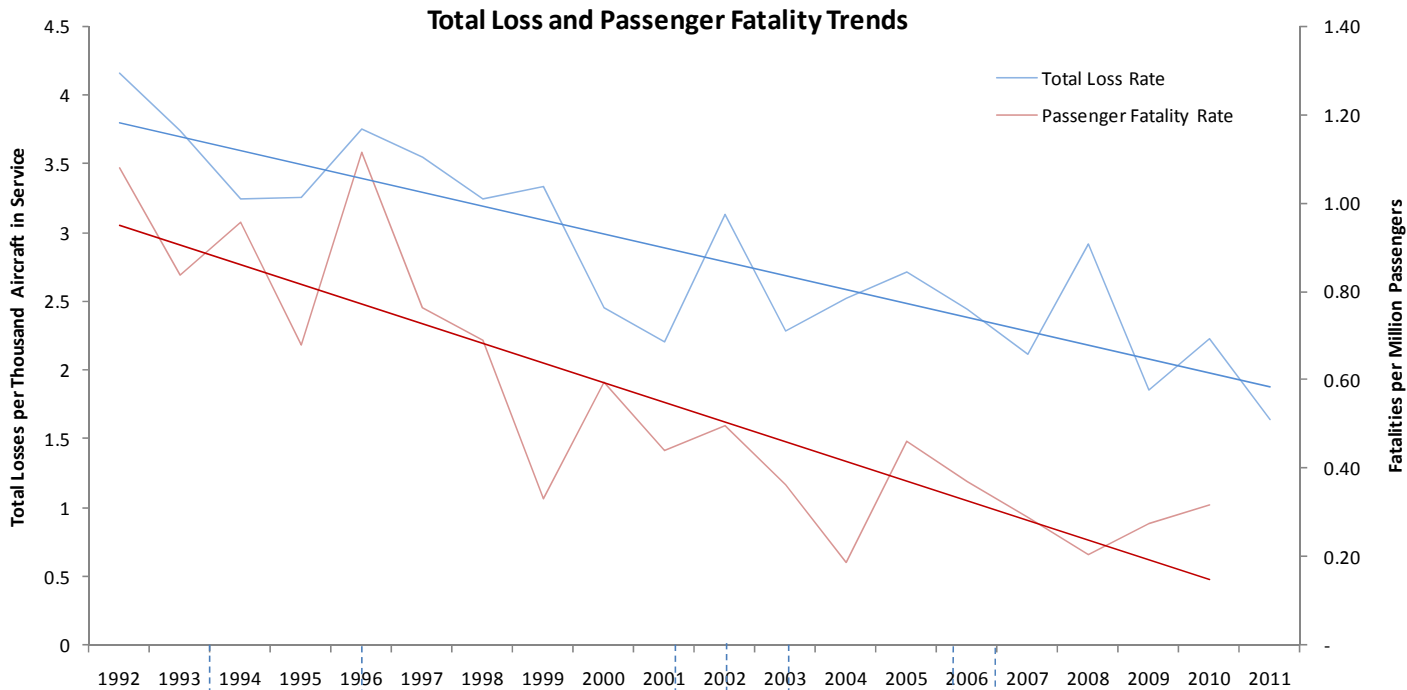


Claims figures based on reported losses and reserves plus an estimate for attritional losses.  
2011 Claims figures estimated based on 10year average development

# Worldwide exposure growth



# Improving frequency of large losses



Sources: ASCEND, ICAO

TCAS II  
Compulsory - US

EGPWS  
Introduced

ACAS  
EU - Phase I

TAWS  
(GPWS)  
Requirements  
Extended to  
Turboprops - US

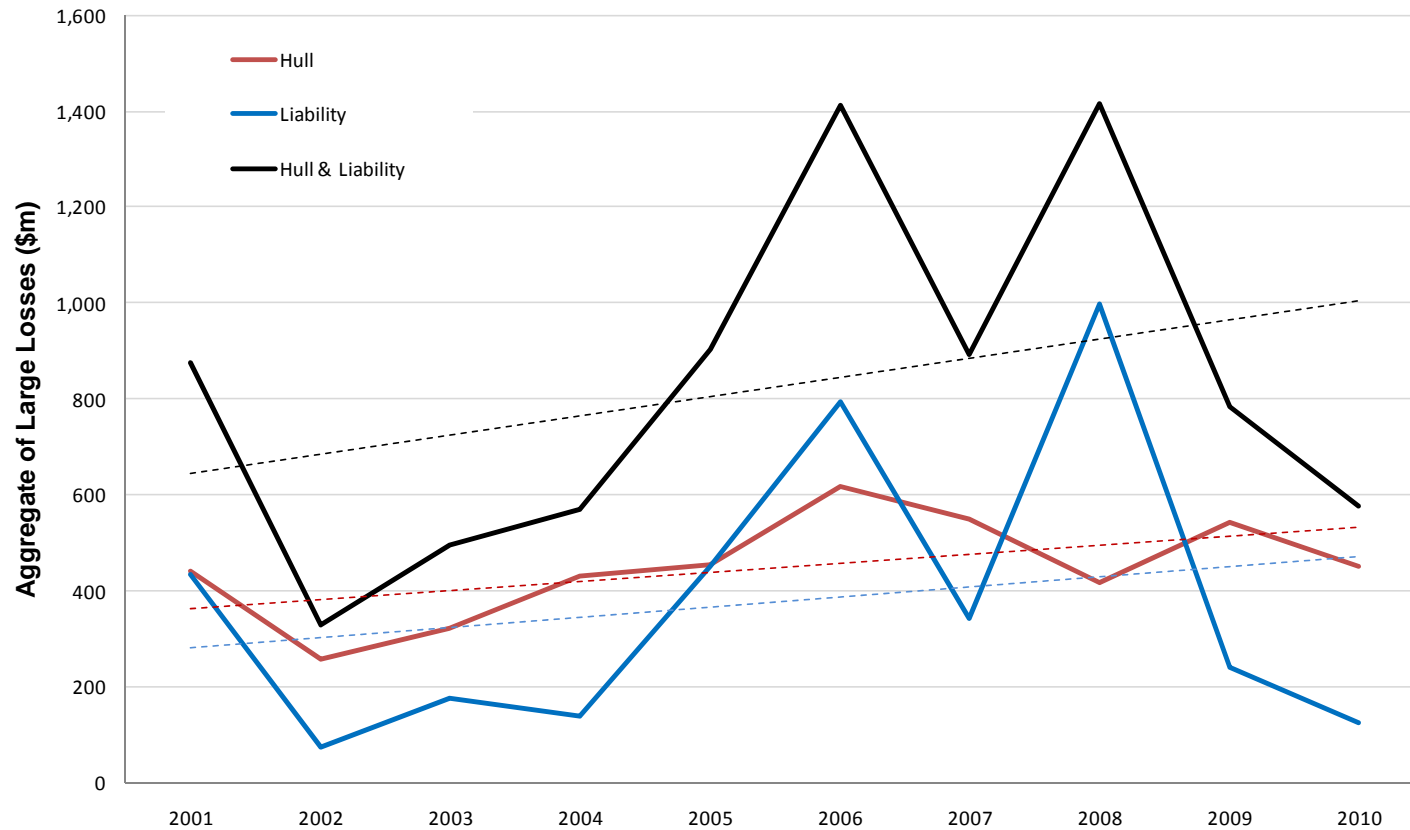
IOSA  
Standards  
Initiated

ACAS  
EU - Phase II

FOQA  
Widely  
Adopted

# However the value of large losses are increasing

**Aviation Large Losses 10 year Trend - Non USA**

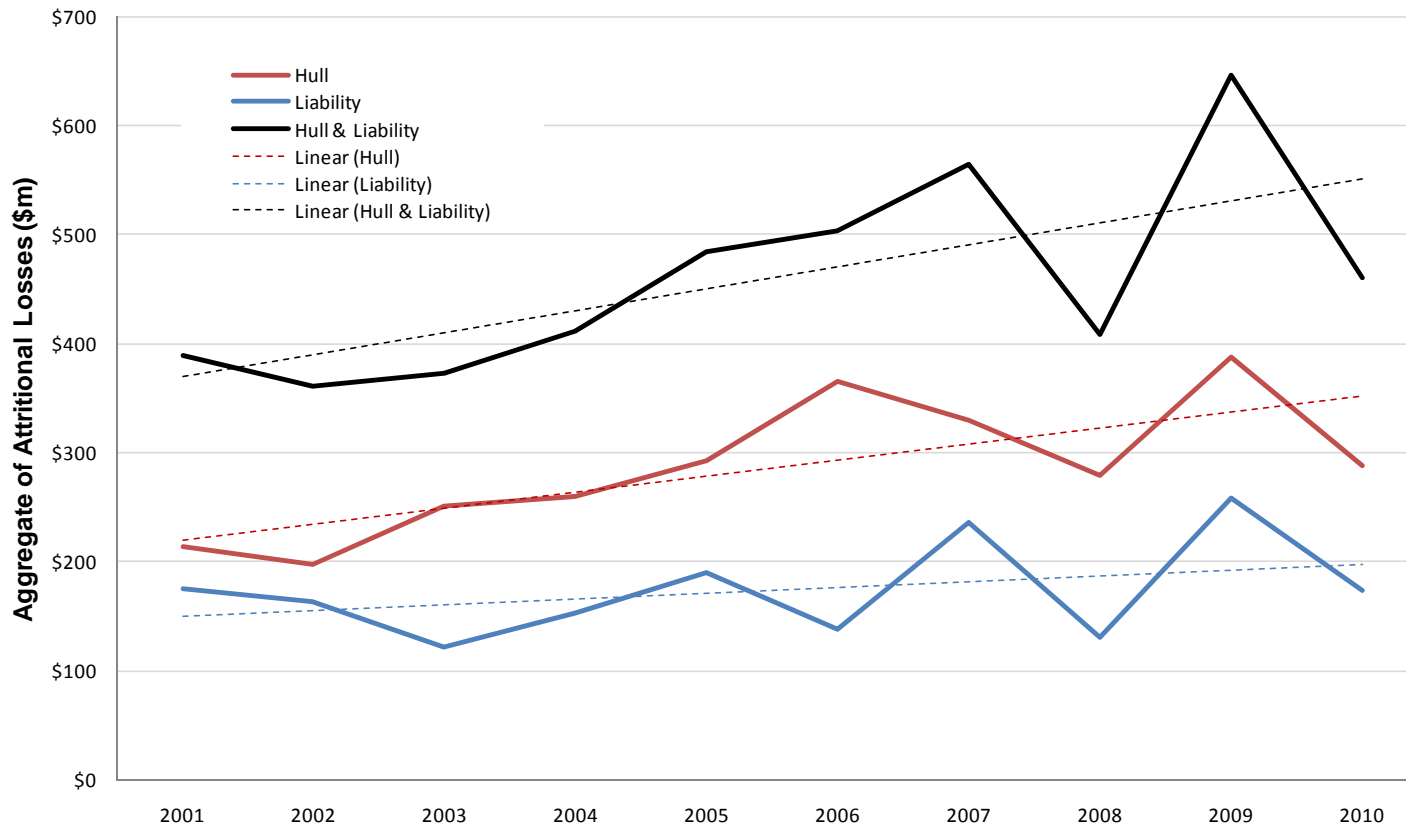


Large losses are defined as any losses with a revalued cost of \$10m or more.



# ....and the values of attritional losses are also increasing

**Aviation Attritional Losses 10 Year Trend - Non USA**



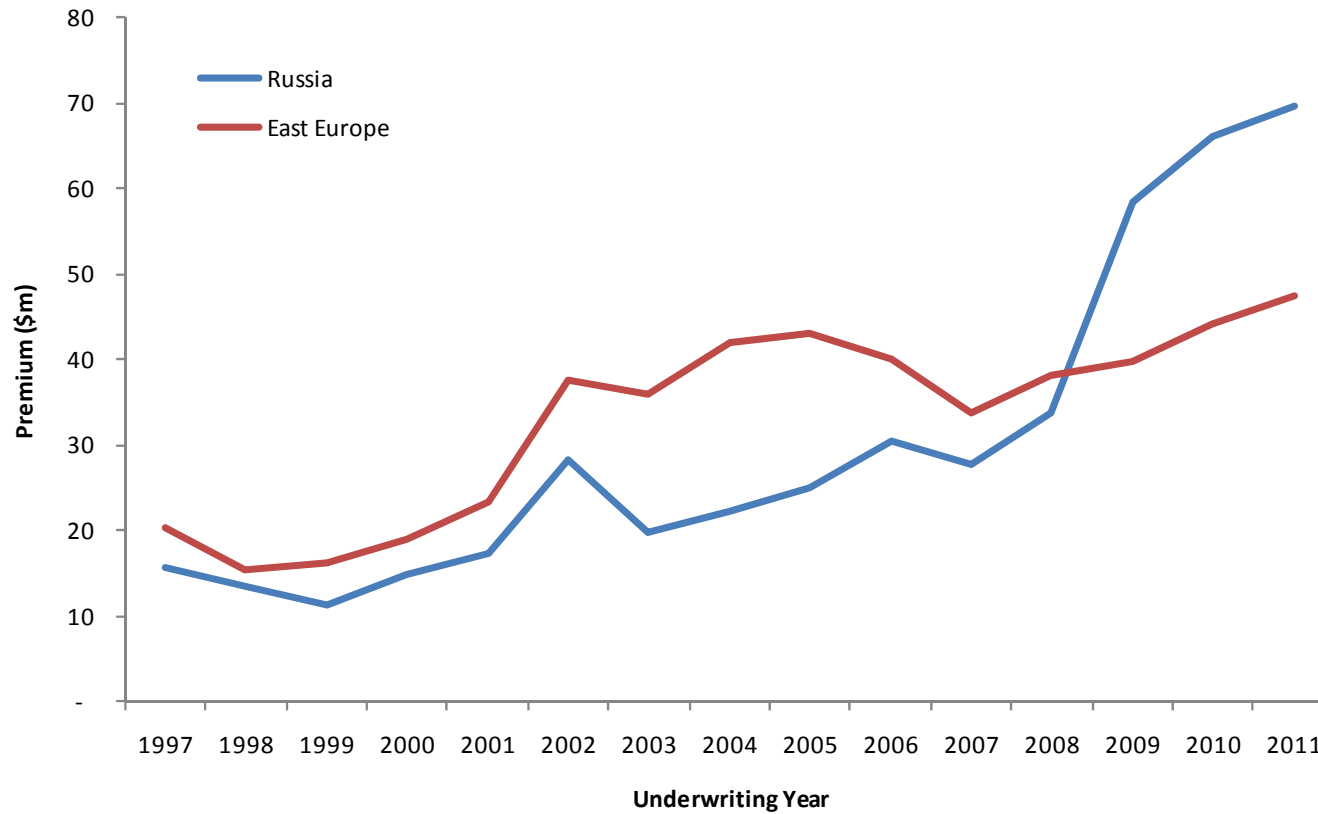
Attritional losses are defined as any losses with a revalued cost of less than \$10m.  
2010 is not fully developed so is estimated using the previous 5 year's average

# The Russian Market



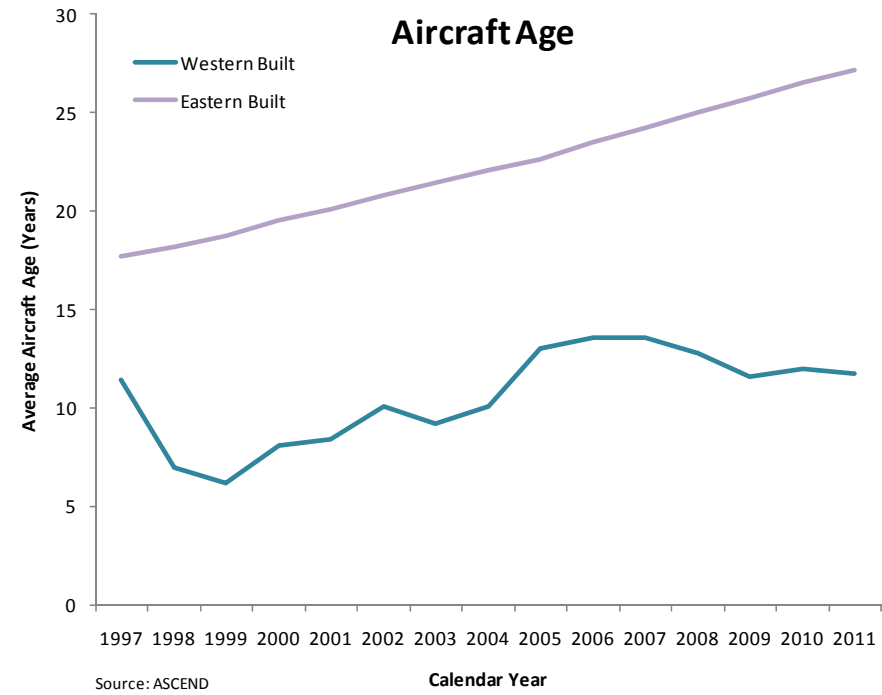
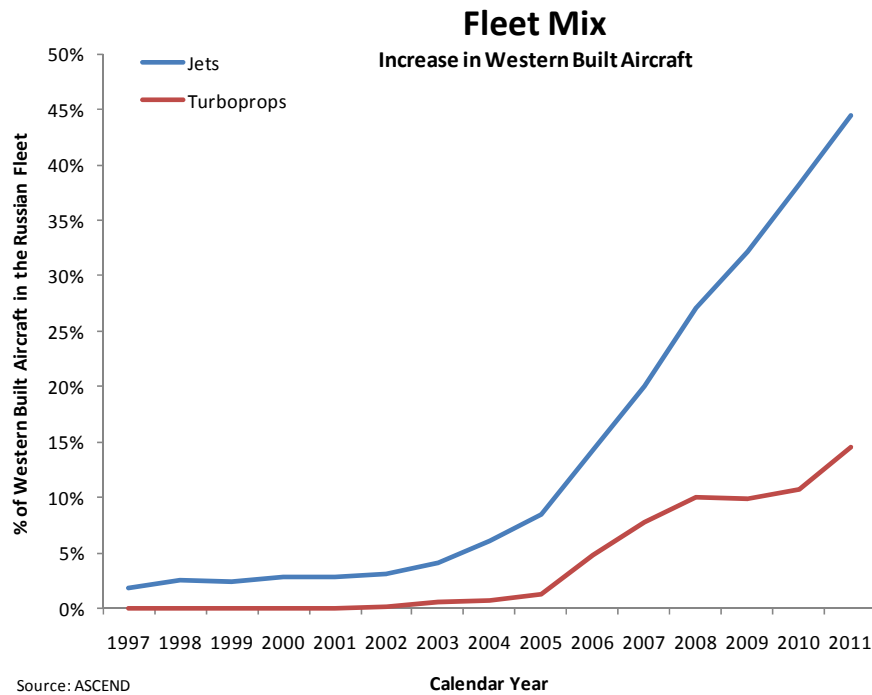
# Signs of Growth

## Airline Premium Growth

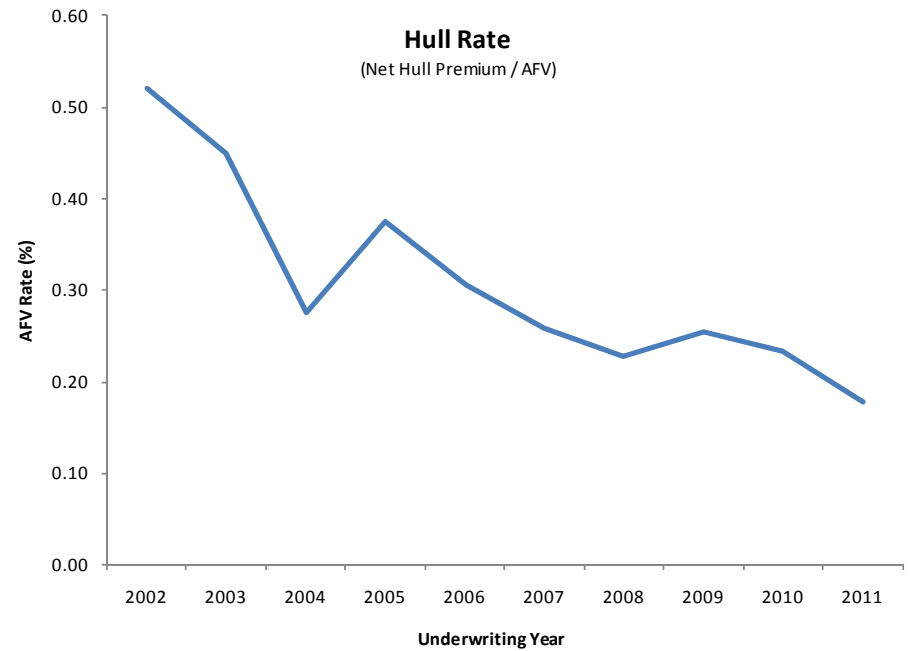
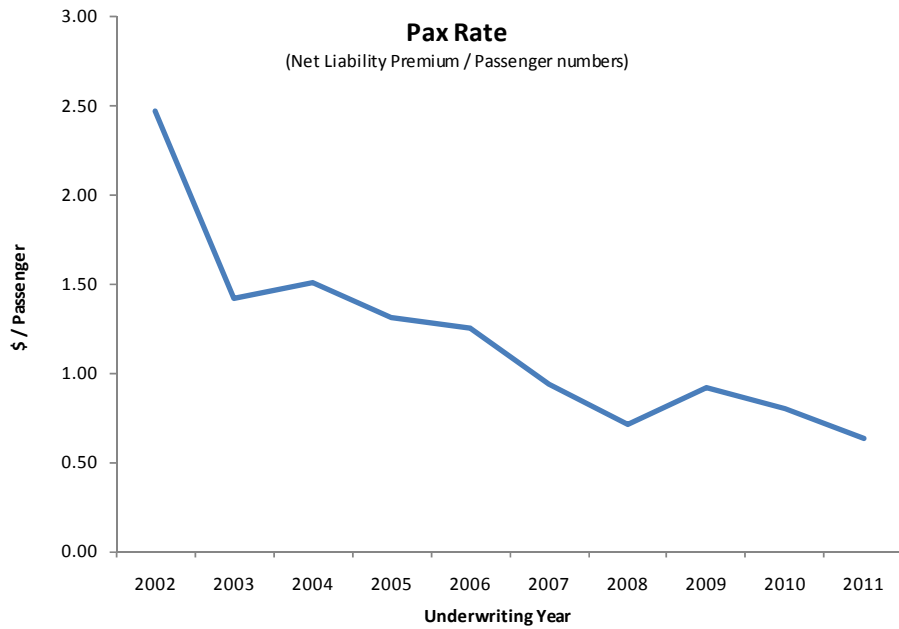


# Fleet mix provides Underwriters with comfort

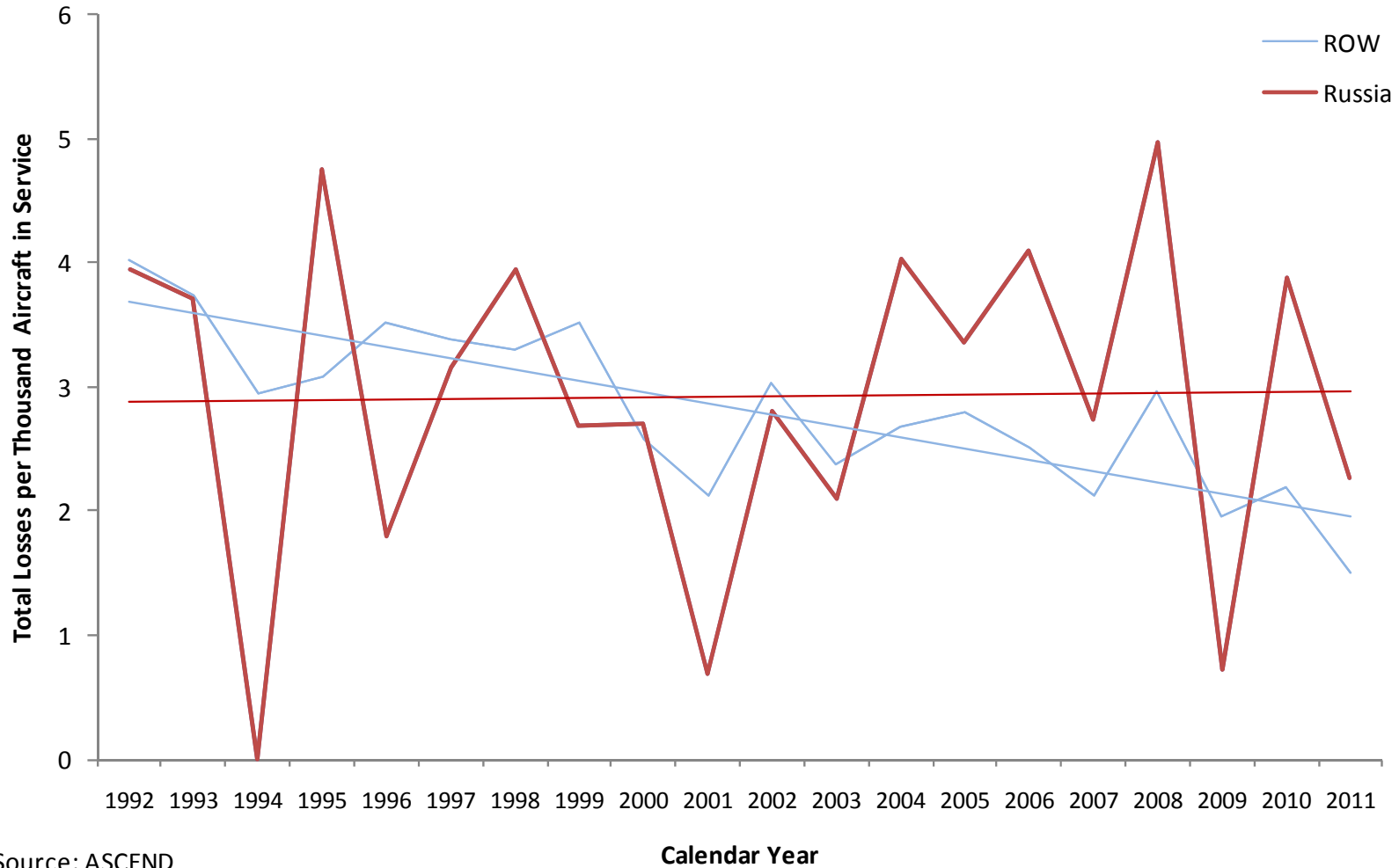
Changing fleet mix to include higher proportion of western built aircraft:



# Rates appear to have already factored in these changes

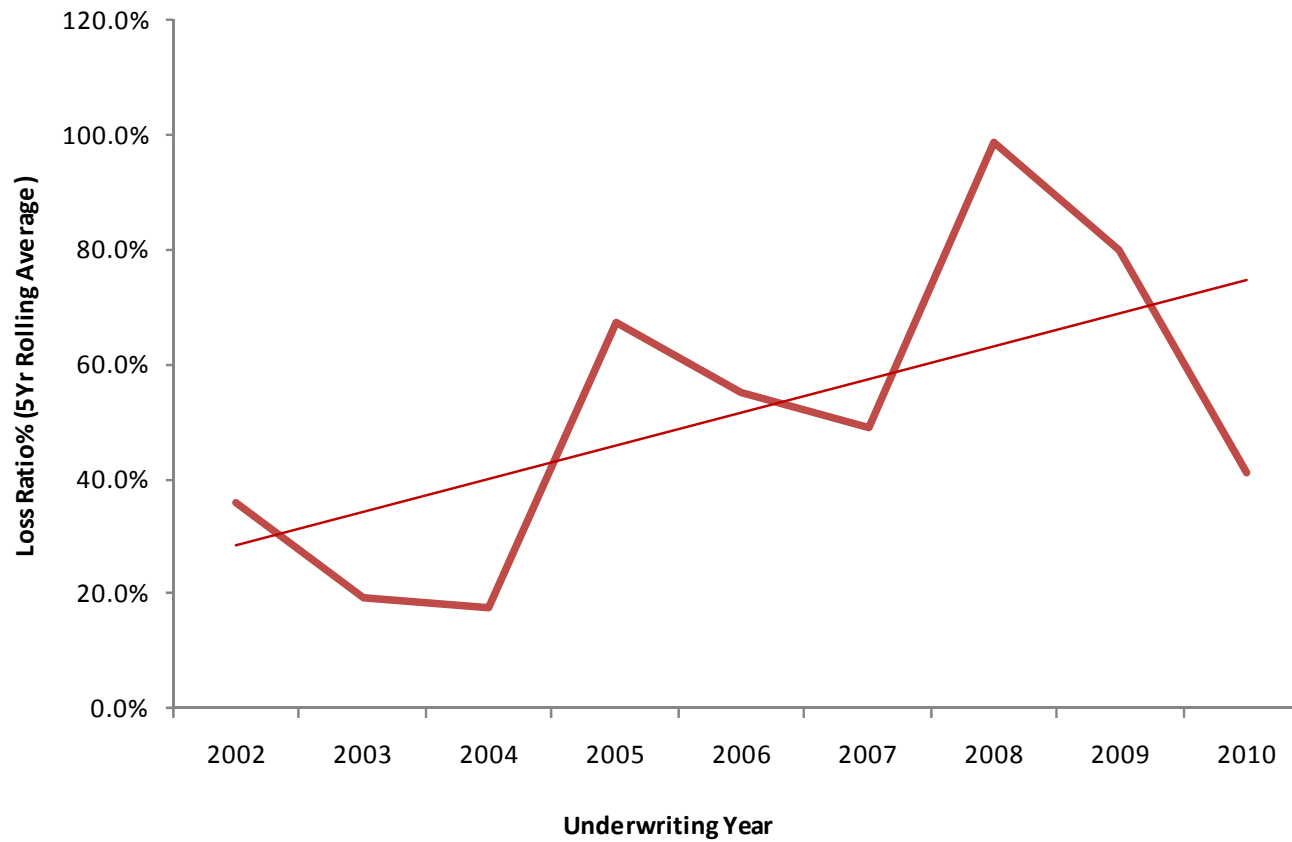


# Loss Pattern



Source: ASCEND

# Volatile and increasing Loss Ratio



...and then there's the 'Other Stuff'

# The Butterfly Effect.

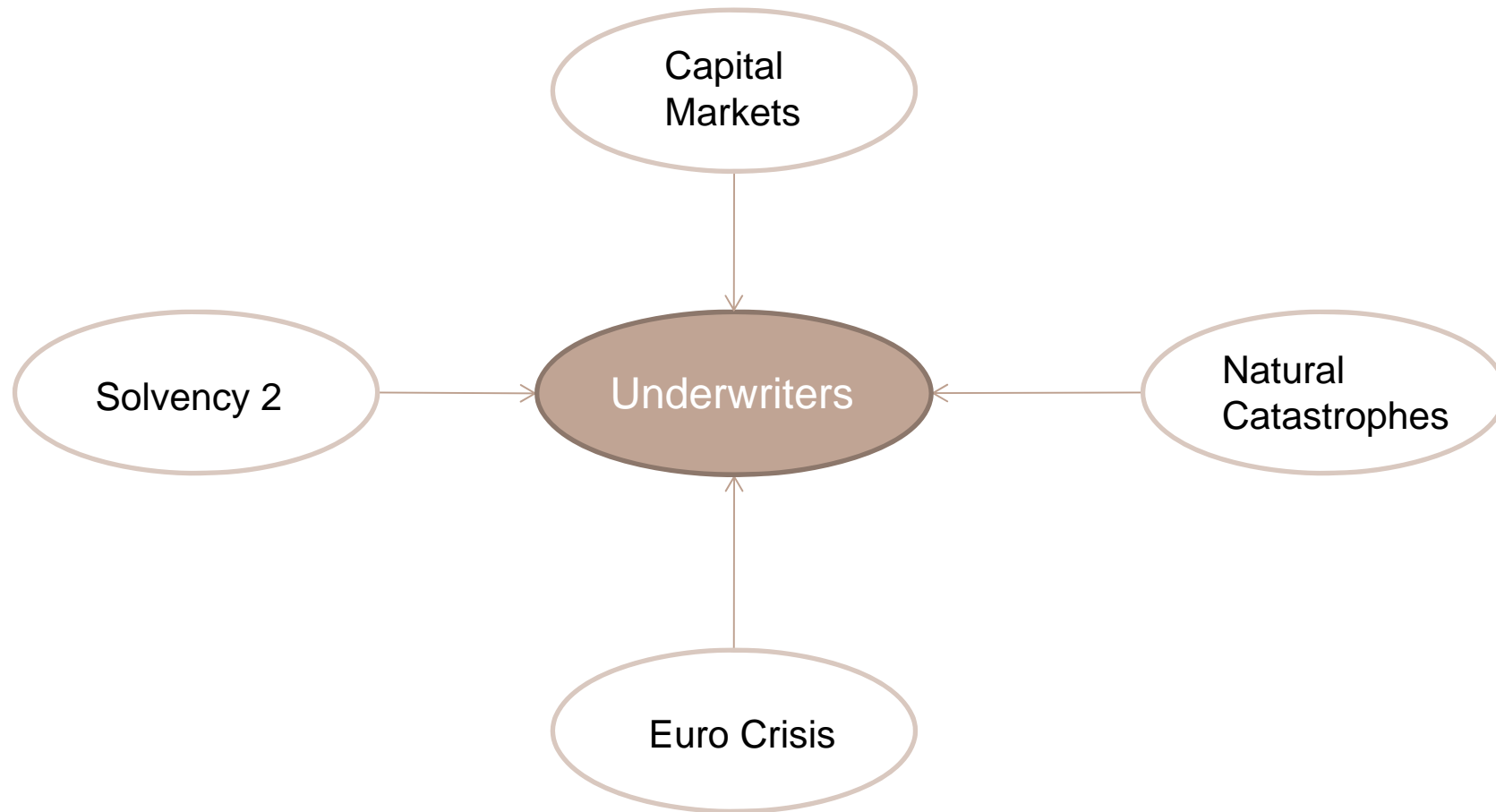


by  
J.L. Westover

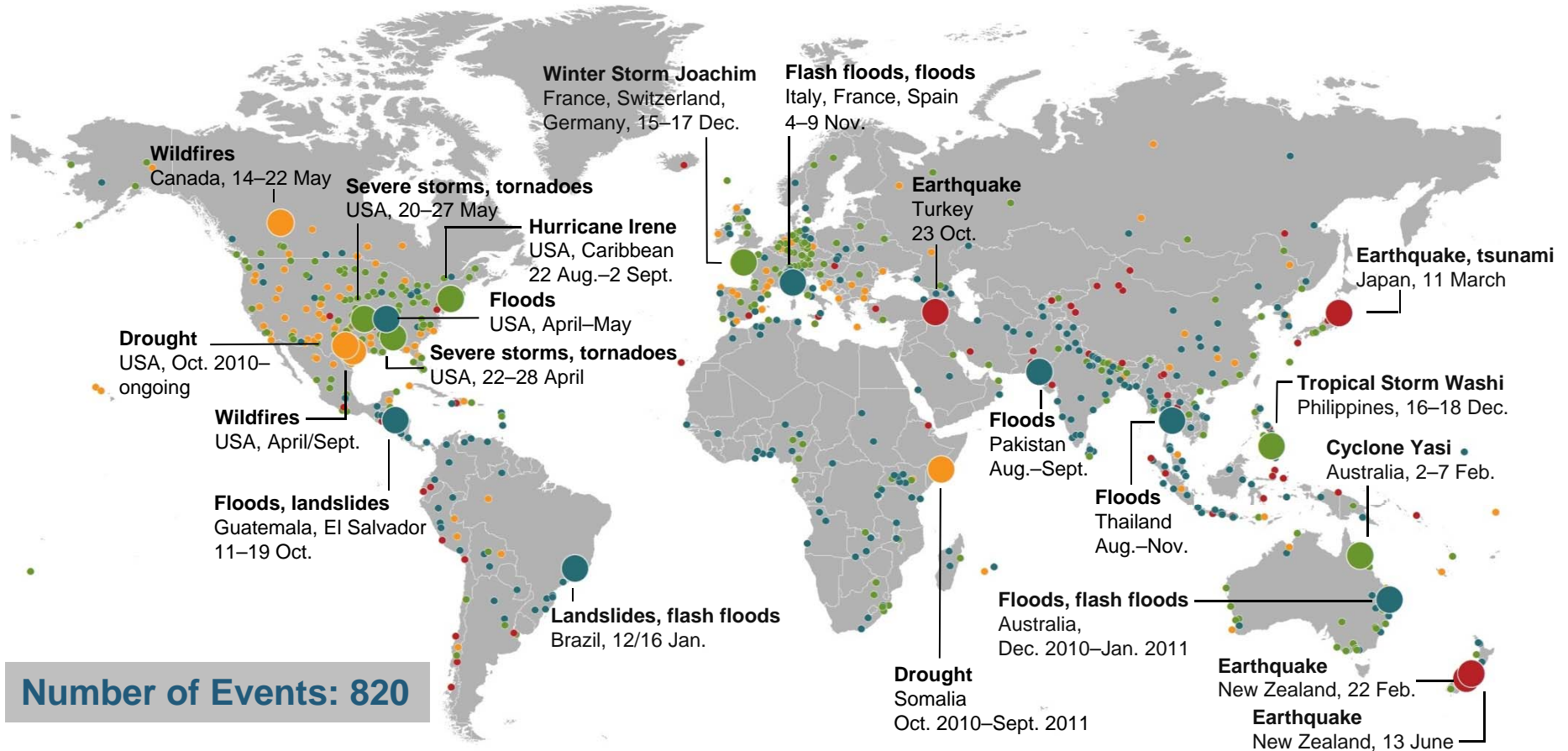
[www.mrlovenstein.com](http://www.mrlovenstein.com)



# Exogenous factors



# Natural Catastrophes, 2011

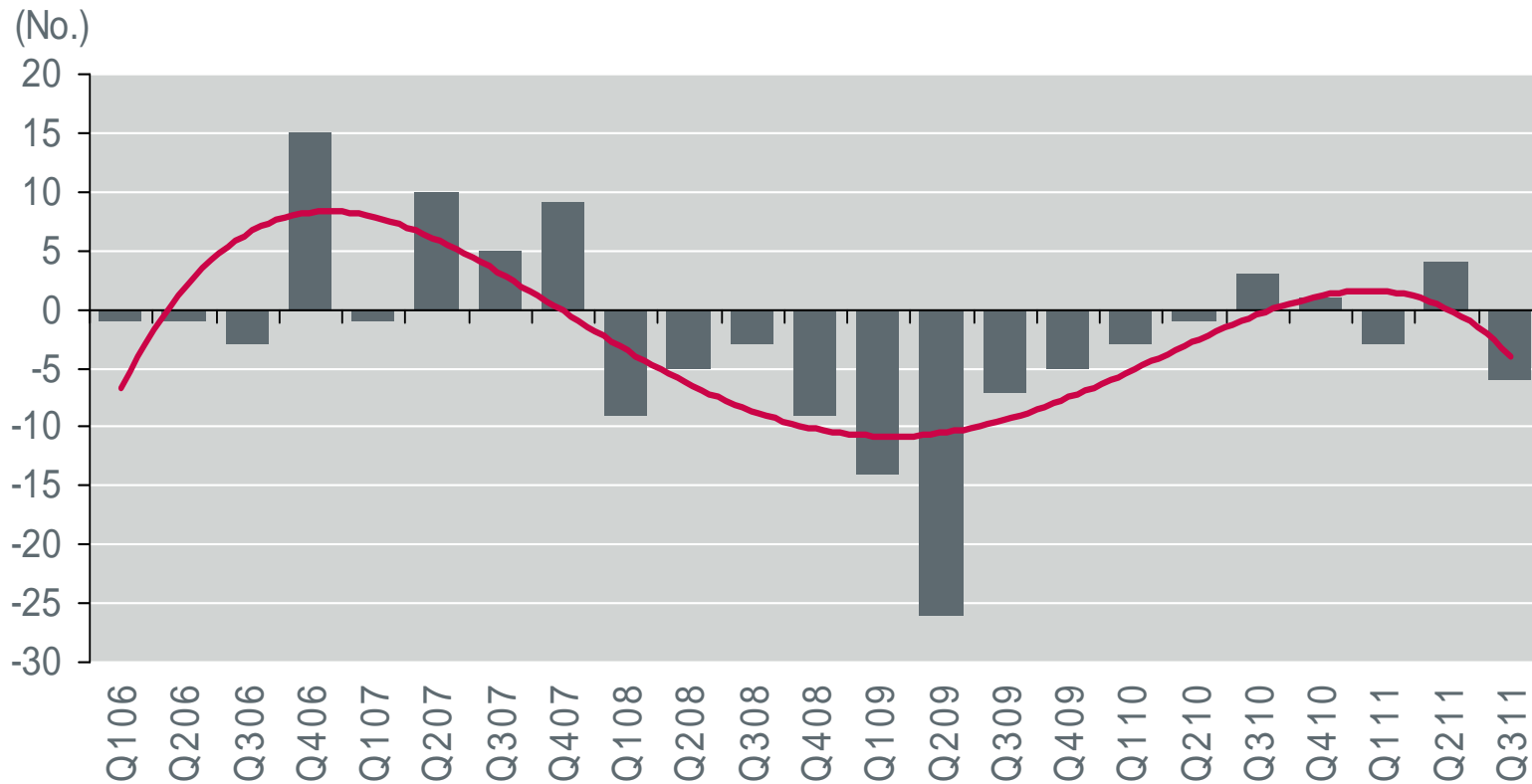


**Number of Events: 820**

- Natural catastrophes
- Geophysical events (earthquake, tsunami, volcanic activity)
- Hydrological events (flood, mass movement)
- Selection of significant loss events (see table)
- Meteorological events (storm)

Source: MR NatCatSERVICE

# Security Ratings



Source: Fitch

## Concluding remarks.

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- Aviation is a volatile business
- The industry is growing
- Loss frequency is falling
- Claim severity is increasing
- Russia has been positive to underwriters but it is volatile
- Macro factors do significantly affect our business

# QUESTIONS

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