



International Aviation and Space Insurance Conference

President Hotel
Moscow
20th February 2020

- Marsh-JLT merger. Market moving towards complete dominance of two large brokers
- More insurer mergers: *Axa + XL Catlin, Axis + Aviabel, AIG + Validus (Talbot), Elseco + Starstone*
- Airline insurance market hardening. Rates increasing in 4Q 2018 and expected to increase further in 2019. 2018 was the 6th year in a row to produce a loss.
- LionAir 737 Max crash on 29th October 2018 was unfortunate as it involved a brand new aircraft and killed 189 people but from the market prospective it was not a catastrophic loss as the liability claims were fully expected to be handled locally.
- GA market under severe pressure – in particular following large US losses.
- Products market still relatively soft
- Aviation at Lloyd's showed 119.8% combined ratio in 2018. In 2018 Lloyd's launched Decile 10 Project whereby all syndicates were asked to submit business plans for the worst-performing 10% of their business. Aviation is part of that in many syndicates
- Aviation underwriters in London and elsewhere seriously concerned about their jobs
- Companies withdrawing from Aviation insurance: *Brit, Aspen, Generali, Hiscox, W.R.Berkley*
- Reinsurers talking about necessity of rate increases but XoL rates remain stable

- Sogaz-VTB merger adds to market consolidation
- With Russian airlines renewed largely in 1-3Q the trend there was not much first-hand experience of hardening market. Most airlines still obtained reductions, some of them significant. Signals by brokers and reinsurers are not fully believed
- Reinsurers are trying to make a strong case for rate increases but they always do that, don't they?
- Despite a fatal accident of Saratov Airlines An-148 and two major hull losses – UTair and Yakutia – Russian airline loss record does not look too bad. Is there a reason for concern?
- Helicopter statistics look really worrying and there is a feeling that hull rates should rather be higher. But what can we do to achieve that? There is too much competition. We do not want to lose business.



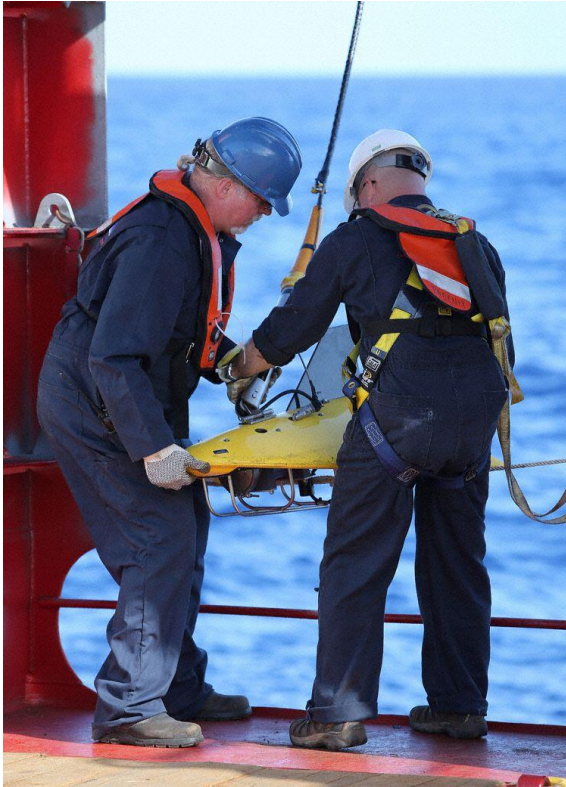
04.03.2019. JLT announced the sale of its aerospace business to Gallagher



10.03.2019. Ethiopian Airlines Boeing 737 MAX 8 crash. 157 fatalities



March 2018. Entire **737 MAX** fleet grounded.



June 2019. MH 370 insurance arbitration (AVS 103)

results in 100% of the hull claim paid by Hull War markets



January 2020 and further. **COVID-2019** (2019-nCoV)



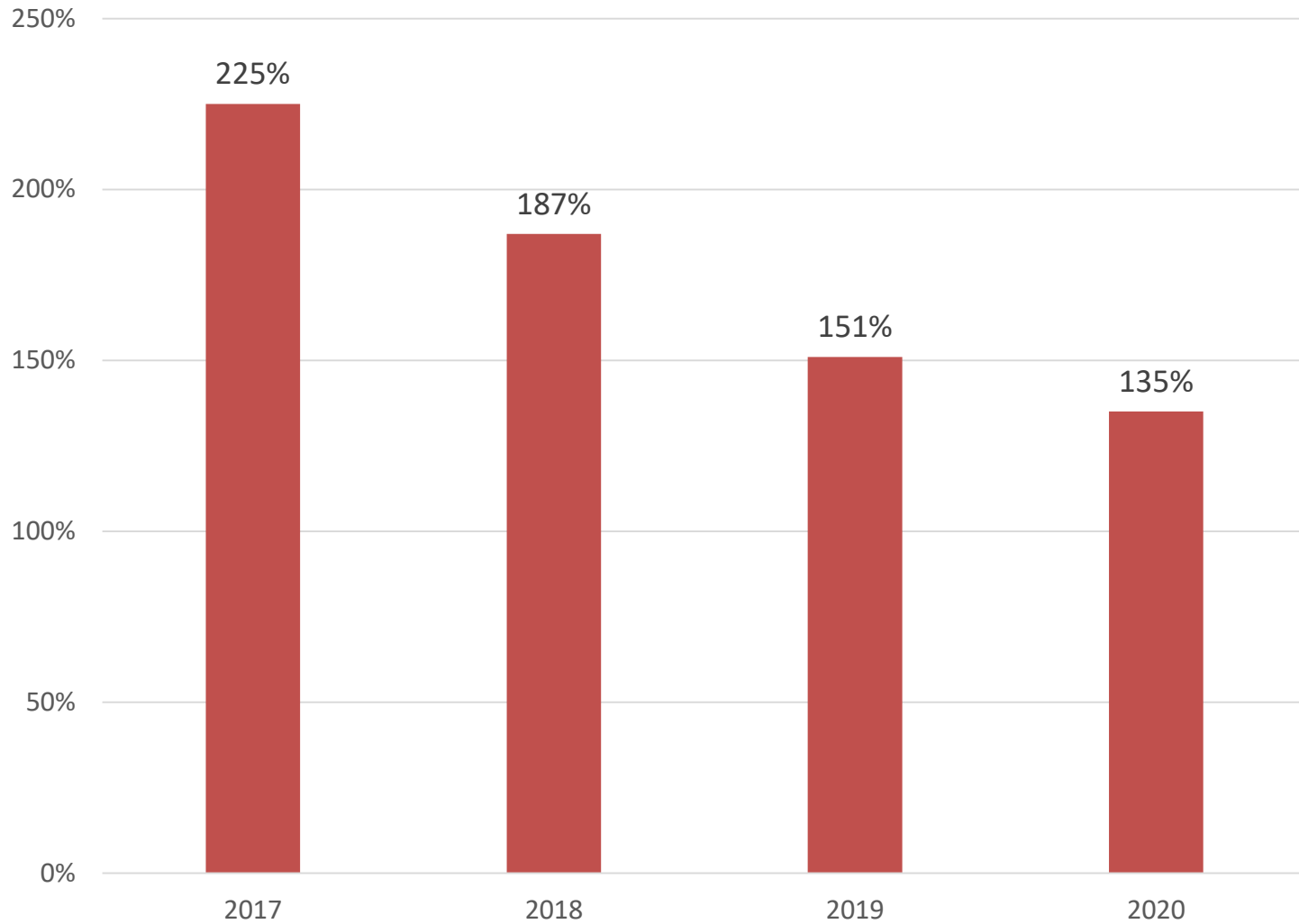
08.01.2020. Ukraine International flight 752 shot down near Teheran with loss of 176 lives

- More companies withdrawing from aviation: MS Amlin, Asia Capital Re. Swiss Re shut down GA and Space operations.
- However there are new entrants as well: Convex, Helvetia, Fidelis
- Sharper increase in airline rates in 2019 following Ethiopian Airlines loss. Average rate increases for 2019 airline renewals with positive loss history at 20% or more
- Despite the rate increases the airline insurance market is expected to sustain a loss in 2019
- Products insurance market sustained the largest loss ever
- Ethiopian Airlines/Boeing loss resulted in a major loss to international reinsurance market. Cost of treaty reinsurance protection is rising
- Whilst extreme consolidation of broker market was expected at the beginning of the year the actual development was exactly in the opposite direction: JLT Aerospace joined Gallagher not Marsh, and three new broker companies with interest in aviation started in 2019: SSL Endeavor, McGill and piiq



AIRLINE MARKET CAPACITY

Theoretical Capacity based on 'A' rated insurance markets,
underwriting a combined single limit of \$1.75billion



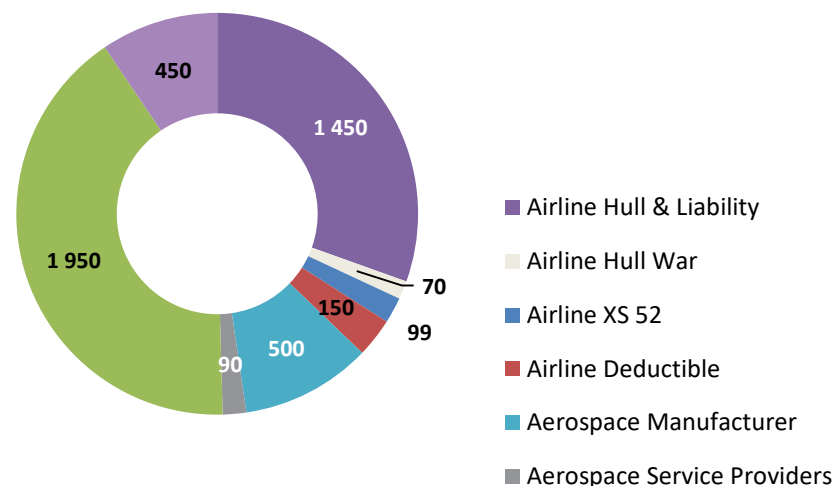
Source: AON



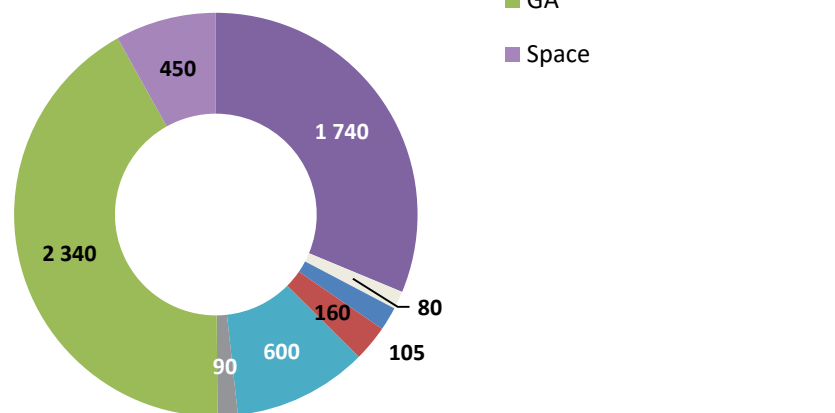
Aviation insurance estimated net premium

Category	Sub Category	USDm Est premium 2018	USDm Est premium 2019
Airlines	Hull & Liability	1,450	1,740
	Hull War	70	80
	XS 52	99	105
	Deductible	150	160
Aerospace	Manufacturer	500	600
	Service Providers (inc Airports)	90	90
GA	Industrial Aid / Commercial / PBP	1,950	2,340
Space	Launch / In-Orbit	450	450
Total		4,759	5,565

2018 estimated premiums



2019 estimated premiums



Note: Net premium means after brokerage

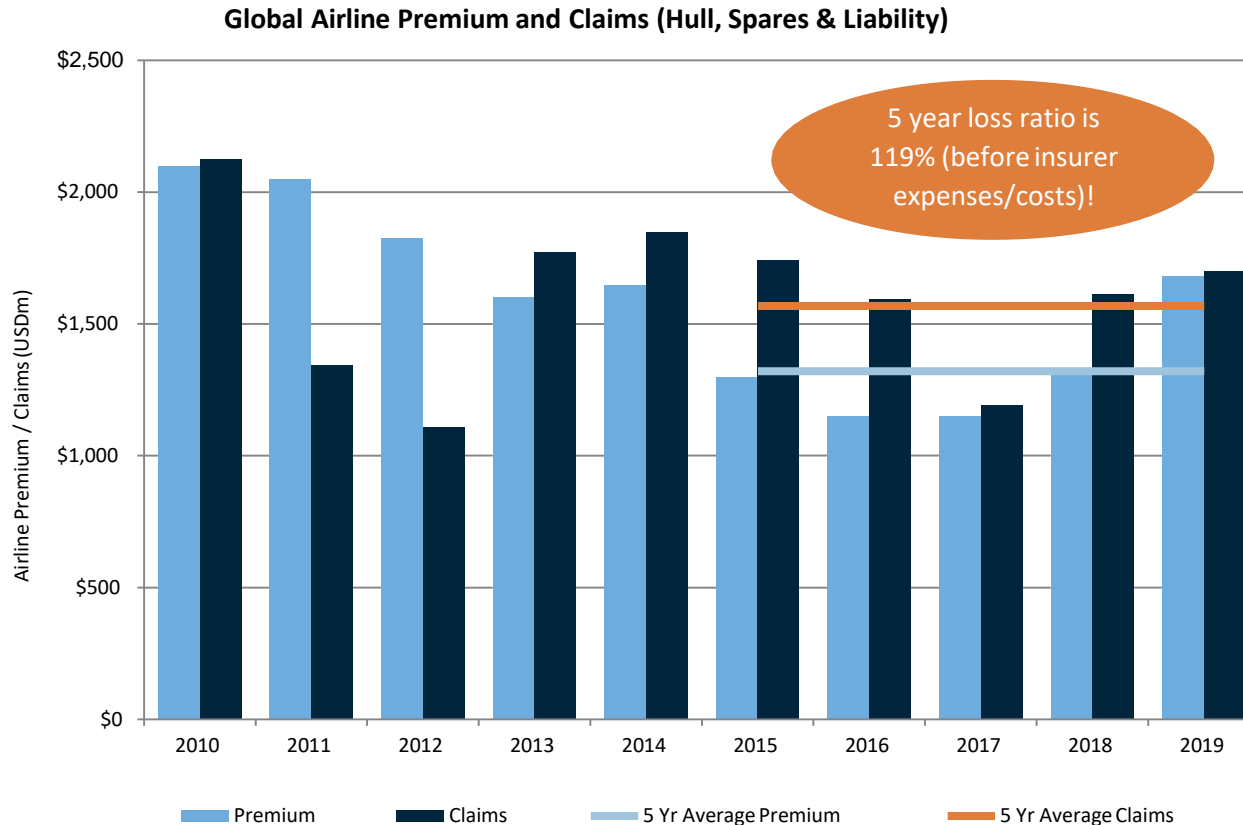


Airline Hull, Spares & Liability Premium and Claims

10 Year Global Market Position



Insurance | Risk Management | Consulting



Airline claims estimated to have equalled or exceeded premium income for seven of the past ten years!

Despite fewer airline catastrophes, attritional losses remain expensive and continue to erode premiums.

This position is before insurer expenses and any reinsurance costs are factored in.

Note: Figures are on calendar year basis, excludes Hull War and General Aviation.
Source: Gallagher and FlightGlobal data.



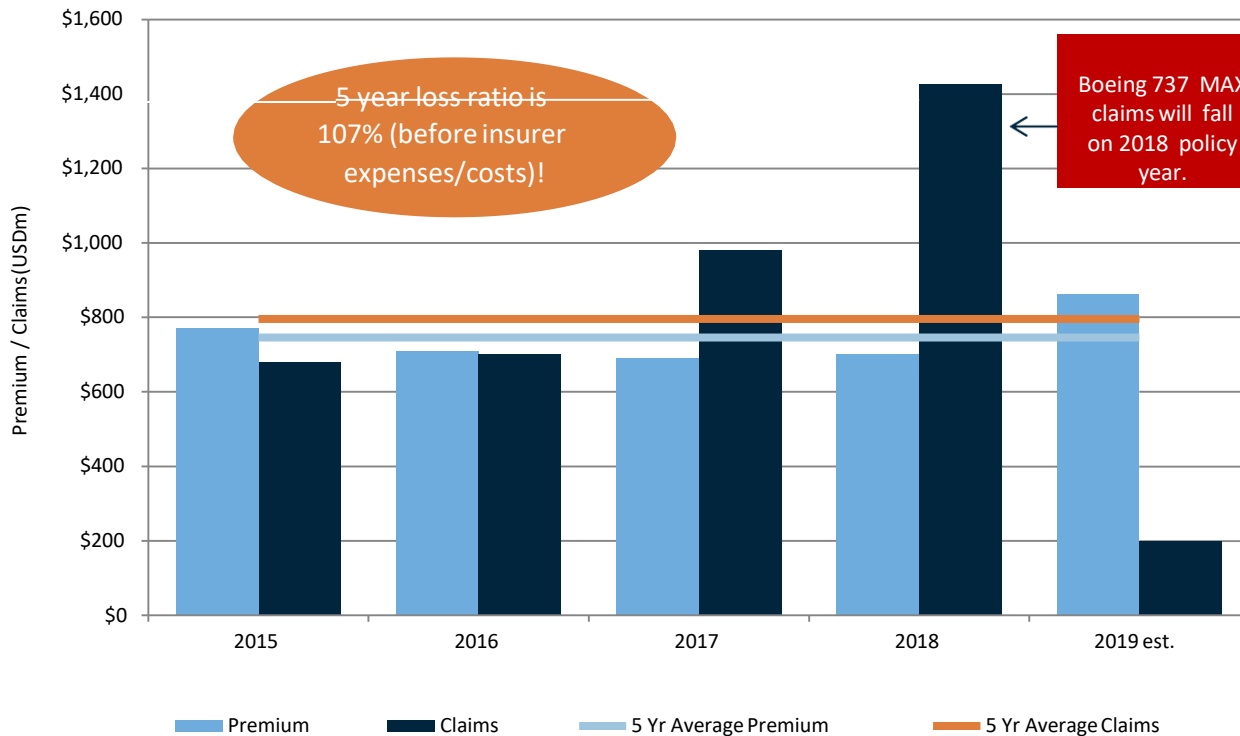
Manufacturers, Products, Airports & Service Providers

5 Year Premium and Claims position also poor



Insurance | Risk Management | Consulting

Aerospace Global Premium and Claims
(Manufacturers, products, airports and Service Providers)



Many Airline insurers also underwrite this business which is also performing badly on a premium vs. claims basis.

Insurers have suffered a series of large grounding claims on the 2016, 2017 and 2018 policy years.

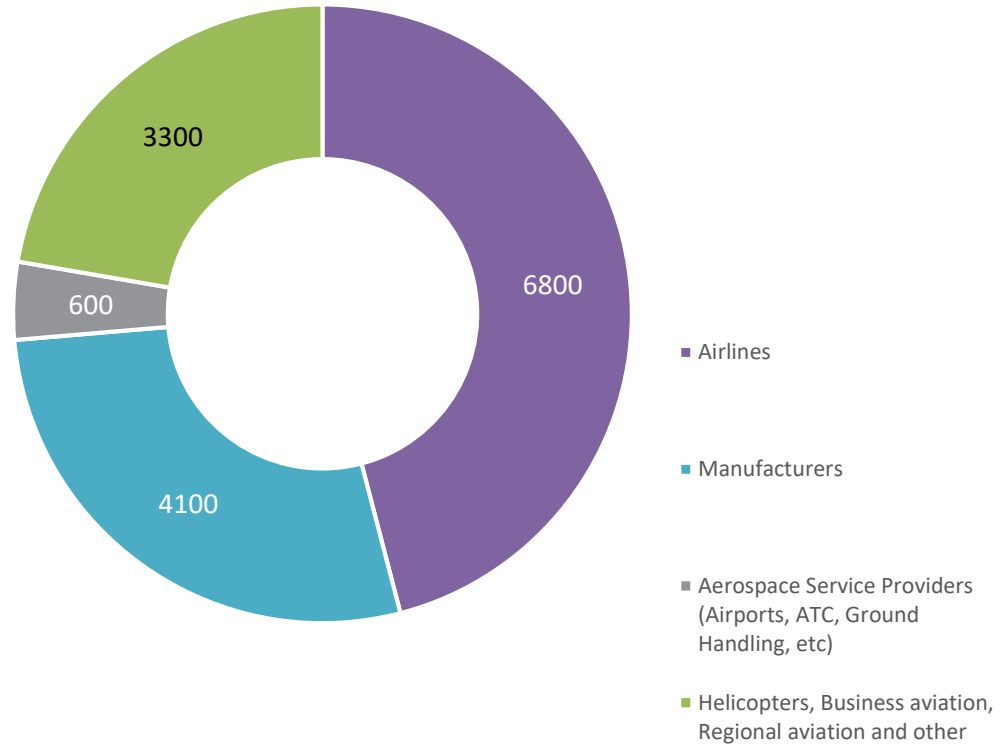
Losses have wiped-out substantial portions of the market's premium across a number of years.

Note: Figures are on policy year basis.
Source: Gallagher.

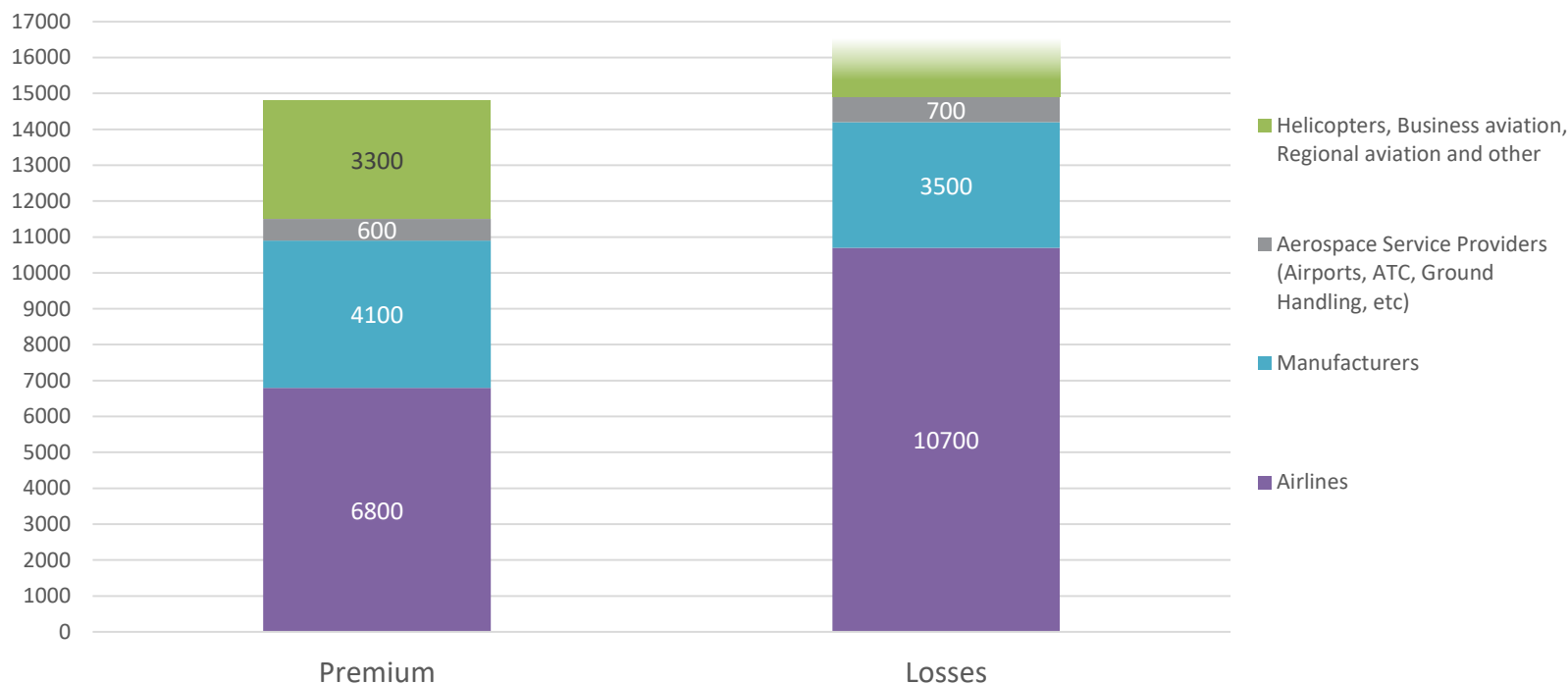
Russia 2019

	Premium written, RRUB mio
Airlines	6,800
Manufacturers	4,100
Aerospace Service Providers (Airports, ATC, Ground Handling, etc)	600
Helicopters, Business aviation, Regional aviation and other	3,300
Total	14,800

2019 premiums



Estimated aviation insurance premium & losses. Russia 2019



	Airlines	Manufacturers	Aerospace Service Providers (Airports, ATC, Ground Handling, etc)	Helicopters, Business aviation, Regional aviation and other
Premium written, RUB mio	6,800	4,100	600	3,300
Losses incurred, RUB mio	10,700	3,500	700	n/a

Aeroflot and Ural Airlines losses brought 2019 Russian **airline losses** to all-times record high level. 2019 losses added to 2018 losses and were already followed with two major hull losses in 2020

Other segments of the market demonstrate poor results too:

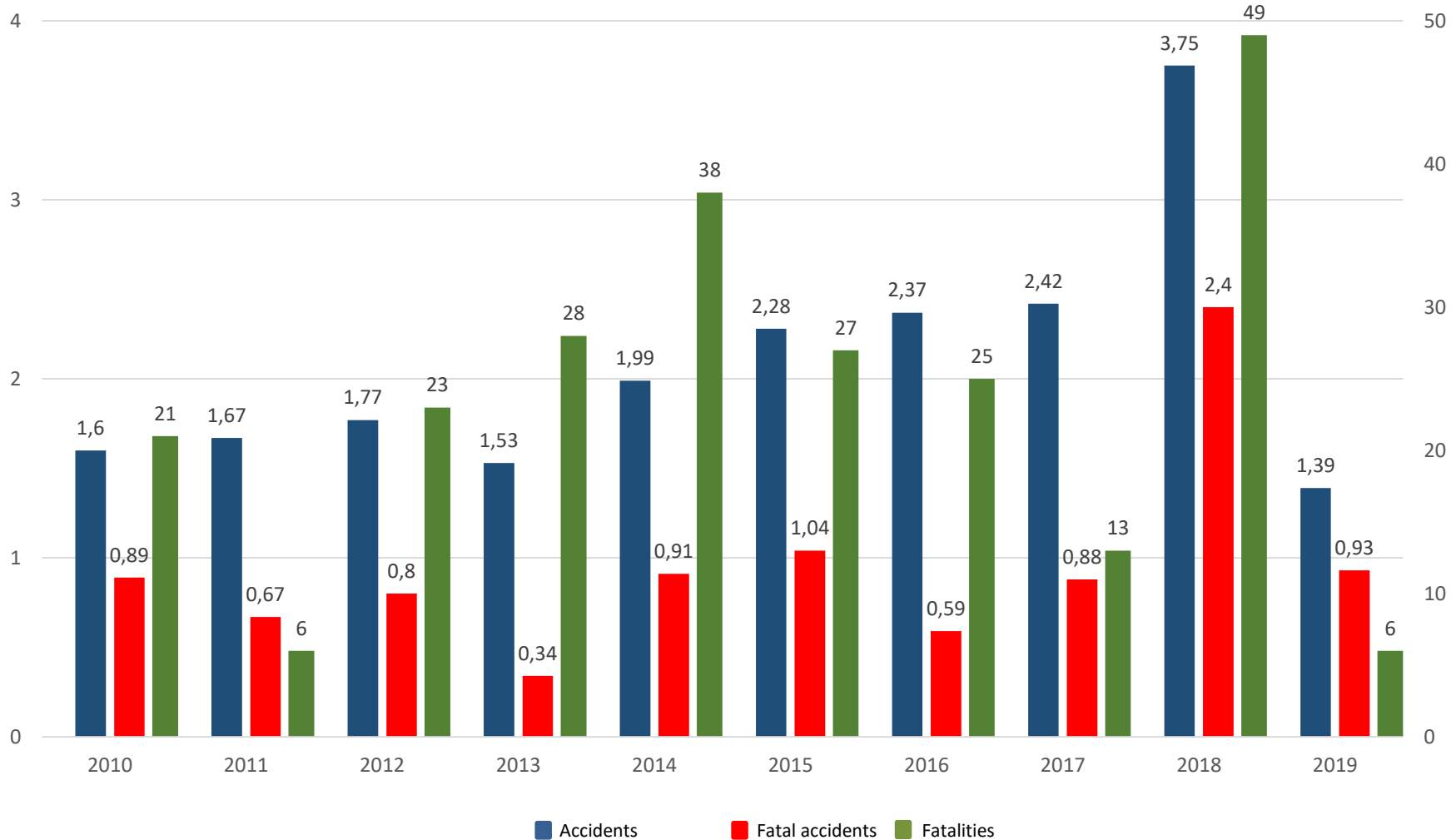
- High level of attritional loss activity in **Airport** liability
- Rb 3.5bn loss of Sukhoi Su-57 in the **Manufacturers** book
- Several major **helicopter hull** losses

MAJOR LOSSES 2019 – 2020					
DATE	OPERATOR	AIRCRAFT	FATALITIES	EST LOSS AMOUNT (US\$ Mio)	Segment
26.02.19	SilkWay Business	G-200	0	7.5	Business Aviation
05.05.19	Aeroflot	RRJ-95B	41	62	Airlines
27.06.19	Angara	An-24	2	0.1	Regional
15.08.19	Ural Airlines	A321	0	47	Airlines
03.09.19	Aeroflot/Royal Flight/SVO	A330 + B777	0	14	Airlines/Airports
24.11.19	Yamal	Mi-8MTV-1	0	7	Helicopters
24.12.19	Sukhoi	Su-57	0	55	Manufacturers
25.12.19	KrasAvia	Mi-8MTV	0	6	Helicopters
10.01.20	NordWind	A321	0	31.6	Airlines
09.02.20	UTAir	B737-500	0	3.1	Airlines



03.09.2019. SVO Handling truck towed a 777 into a stationary AFL A330 preparing for departure with passengers on board. The truck driver is reported to 'have misjudged the distance to the parked aircraft'. Substantial damage to both aircraft.

Helicopter accidents per 100 000 flight hours (исключая АОН)



Source: The Interstate Aviation Committee (IAC)



24.11.2019. Yamal. Mi-8 MTV.
Hull Value Rub **451,680,000**



25.12.2019. Krasavia. Mi-8 AMT.
Hull Value Rub **354,621.828**



14.02.2020. SKOL. Mi-8AMT.
Hull Value Rub **430,188,950**





07.02.2020. Bell 407 loss near Kazan. 1 fatality (Ayrat Khayrullin).
Insurance with a captive company (Talisman).
Hull sum insured 5m Rubles (US\$ 80,000). Liability limit 2m Rubles



27.12.2019. BekAir Fokker 100 accident in Almaty. 12 fatalities.

Cover placed entirely within local markets. Passenger liability limit equiv. \$ 33,500 per passenger (\$ 1,350 for injuries if no permanent disablement)



7310 Звонок бесплатный для всех абонентов сотовой связи
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ВАЖНО! ОБРАТИТЕ ВНИМАНИЕ НА ПОРЯДОК ПРОВЕРКИ ПОЛИСА

**УВЕДОМЛЕНИЕ О ЗАКЛЮЧЕНИИ ДОГОВОРА
ОБЯЗАТЕЛЬНОГО СТРАХОВАНИЯ ГРАЖДАНСКО-ПРАВОВОЙ ОТВЕТСТВЕННОСТИ ПЕРЕВОЗЧИКА ПЕРЕД Пассажирами**

СВЕДЕНИЯ О ДОГОВОРЕ			
Страхователь:	Акционерное общество "БЕК ЭИР"		
ЗАСТРАХОВАННЫЕ			
И СРЕДСТВОМ, ИМЕЮЩИЕ СООТВЕТСТВУЮЩИЙ ДОПУСК)			
020 г.			
Сумма девять тысяч семьсот пятьдесят тенге ноль тмн)			
ТУЛЫ			
т:			
и (или) стационарное лечение, но не			
расчетного периода по одному страховому случаю и			
мер франшизы, страховая выплата осуществляется в полном размере.			
нения франшизы.			
и (или) в случае смерти потерпевшего лицу, осуществляющему погребение потерпевшего, страховщиком возмещаются расходы на погребение в размере			
СВЕДЕНИЯ О ТРАНСПОРТНОМ СРЕДСТВЕ			
Марка/модель	Государственный регистрационный номерной знак	Номер кузова	
F28 Mk100 Focus 100 (11496)	UP-F1007	11496	
ОБЪЕКТ СТРАХОВАНИЯ			
Имущество пассажира, связанное с его обязанностью, установленной гражданским законодательством Республики Казахстан, возместить вред, причиненный жизни,			
здоровью и (или) имуществу пассажиров при их перевозке.			
ПОРЯДОК ДЕЙСТВИЙ ПРИ НАСТУПЛЕНИИ СТРАХОВОГО СЛУЧАЯ			
1. Вызвать представителя Страховой компании по номеру 7310.			
2. Заполнить на месте дорожно-транспортного происшествия формы документов представленных представителем Страховой компании.			
3. Передать представителю Страховой компании для фотофиксации удостоверение личности и документы на автомобиль и право управления транспортным средством.			
4. Предоставить Страховой компании документы, необходимые для принятия решения по страховому случаю.			
ПОРЯДОК ПОДАЧИ ЗАЯВЛЕНИЯ НА ПОЛУЧЕНИЕ СТРАХОВОЙ ВЫПЛАТЫ			

ПОРЯДОК ДЕЙСТВИЙ ПРИ НАСТУПЛЕНИИ СТРАХОВОГО СЛУЧАЯ

1. Вызвать представителя страховой компании по номеру 7310
2. Заполнить на месте дорожно-транспортного происшествия формы документов, предоставленные представителем Страховой компании
3. Передать представителю Страховой компании для фотофиксации удостоверение личности и документы на автомобиль и право управления транспортным средством

номер кузова
11496

ПОРЯДОК ДЕЙСТВИЙ ПРИ НАСТУПЛЕНИИ СТРАХОВОГО СЛУЧАЯ

«Все это было бы не так страшно, но, как на грех, дела в колхозе шли плохо. То есть не то, чтобы очень плохо, можно было бы даже сказать – хорошо, но с каждым годом все хуже и хуже»

Владимир Войнович
«Жизнь и необычайные приключения
солдата Ивана Чонкина»

Questions?



RAAKS
International Aviation and Space Insurance
Conference
President Hotel Moscow
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