



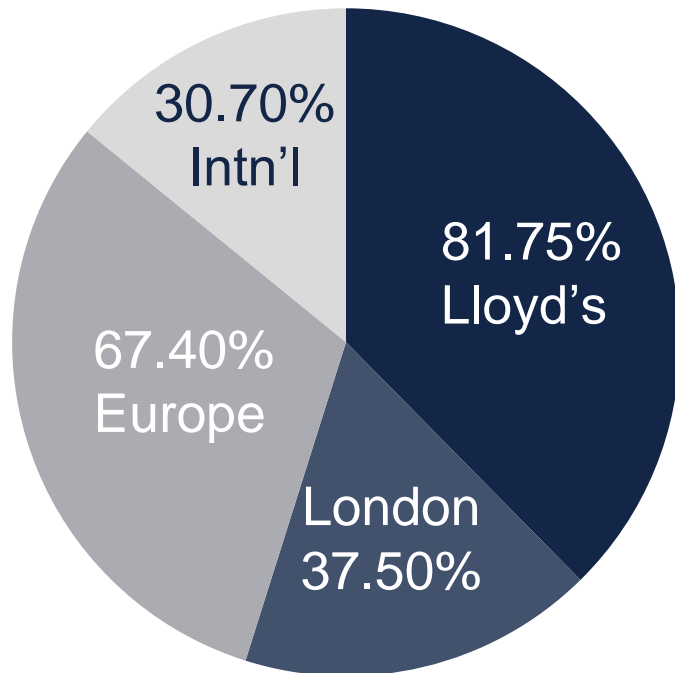
# AIRLINE INSURANCE MARKET UPDATE

Alex Chapman  
March 2015

Willis

# Airline Market Drivers - Capacity

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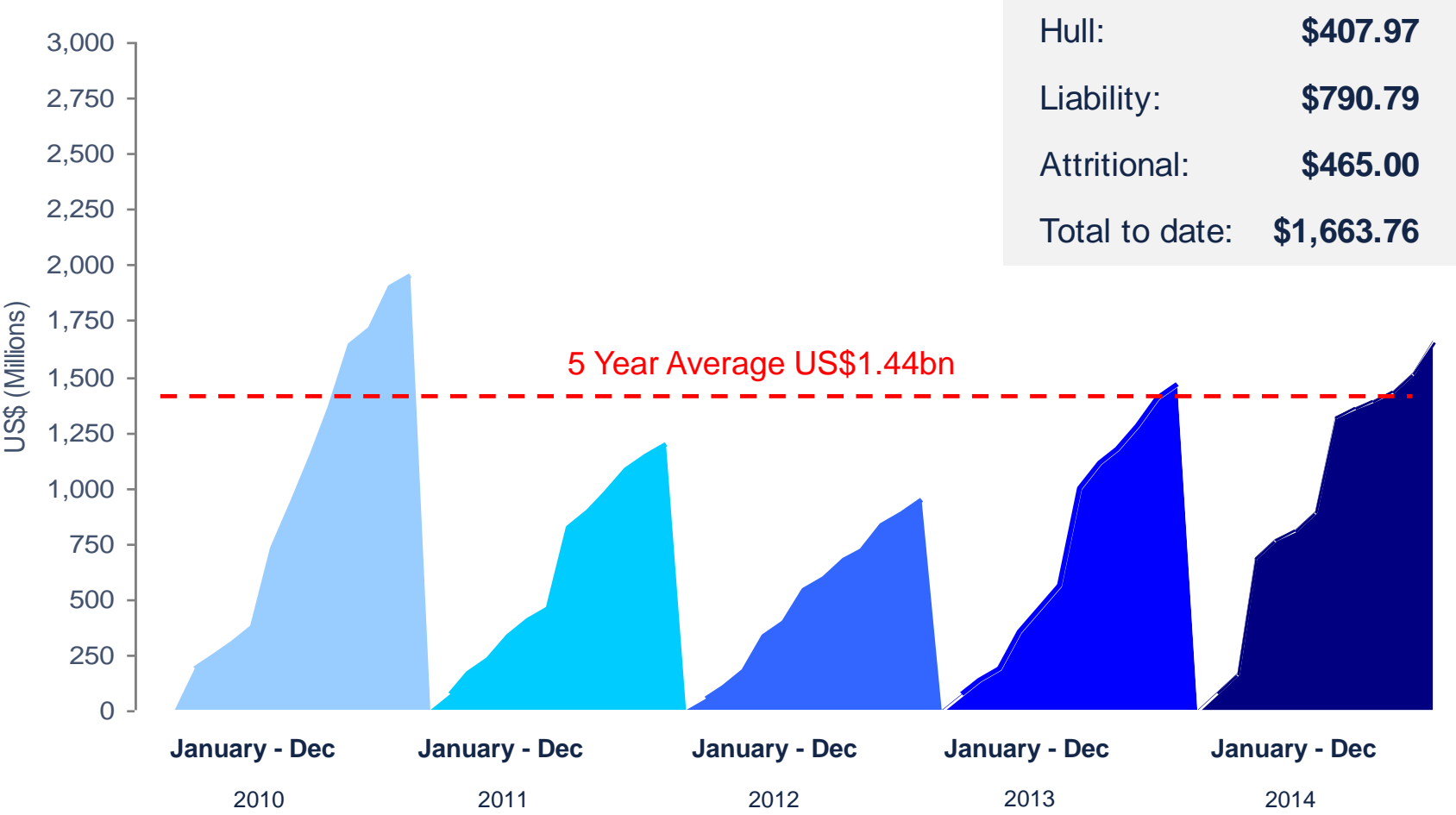
**Total Capacity 217.35%**

Non-US CSL US\$2bn & MHV US\$250m

- Abundant Capacity
  - New Entrants adding competition
- Diversity of Insurer Portfolios
  - Aerospace remains attractive
- Predictable Catastrophe Sector
  - Improving record safety record

***Aerospace remains a high profile sector that is attractive for insurers***

# Airline Market Drivers – Claims

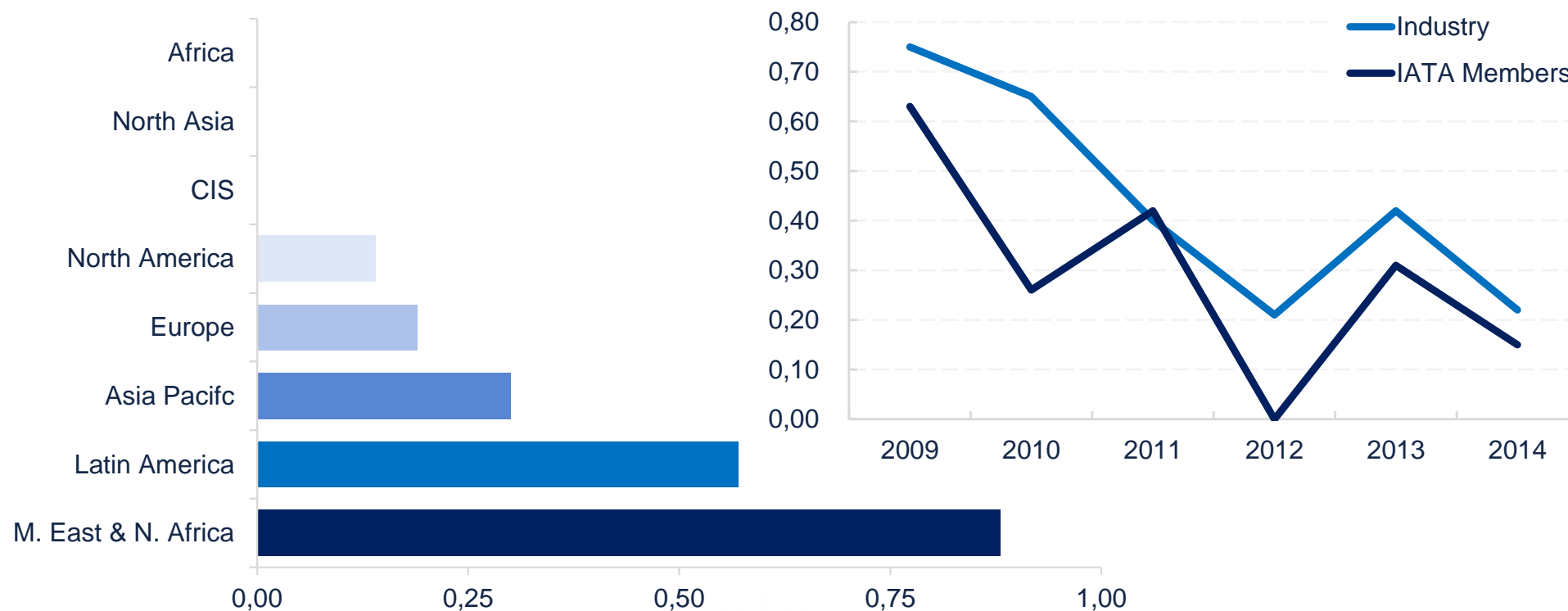


# 2014 World Airline Safety Trends

***“2014 will see an improvement in the worlds commercial aviation safety performance”***

Capt Kevin Hiatt, Safety & Flight Ops IATA

- This is impressive considering exposure growth



Source: IATA, '2014 Safety as at 30<sup>th</sup> September only (full report due April 2015)  
Number of Western built Jet accidents per million sectors

# Global Airline Consolidation

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American Airlines 

**AEROFLOT**   
Russian Airlines

**IAG** INTERNATIONAL AIRLINES GROUP

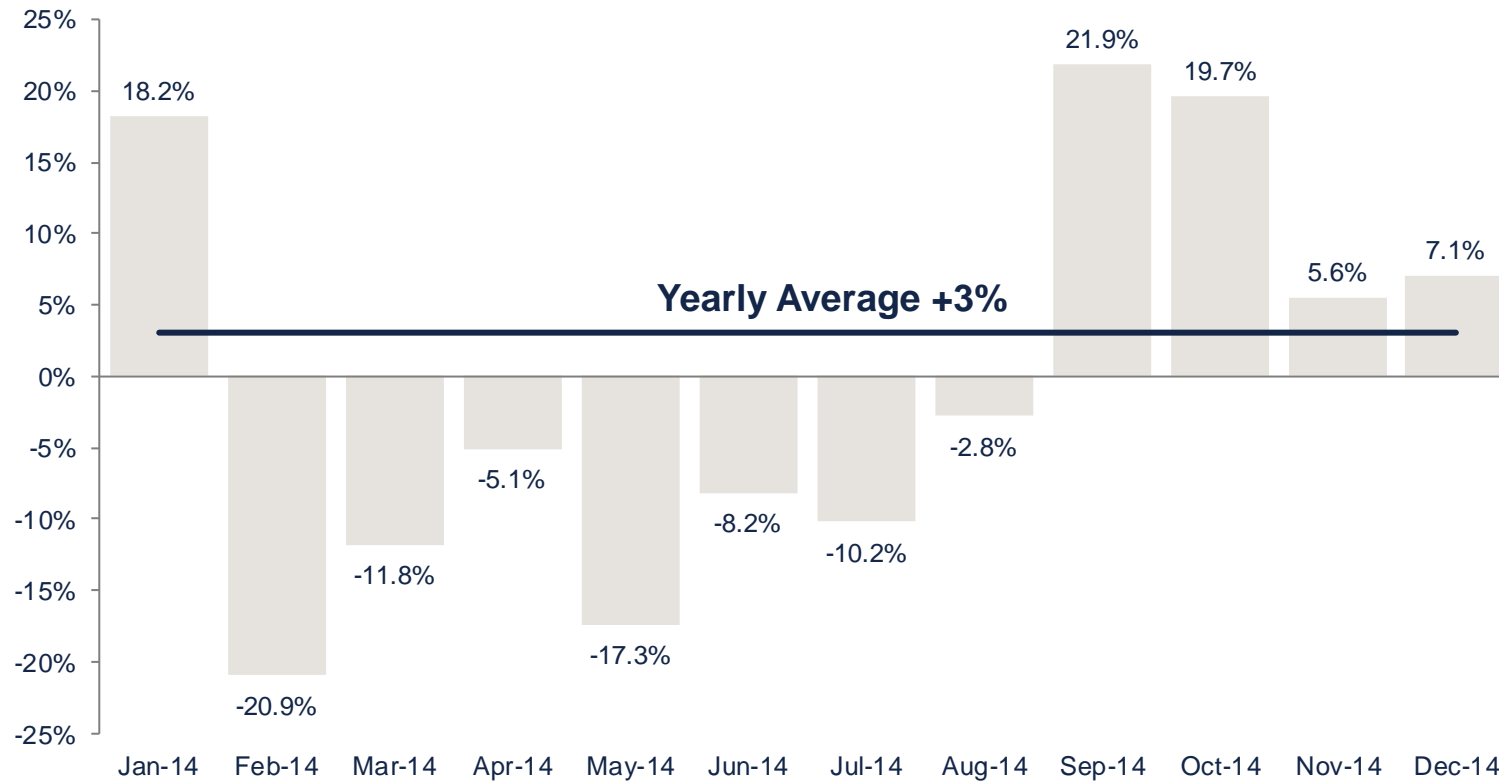


- Fewer Larger Programmes
- Economies of Scale

- Younger Fleets
- Improved Risk Profile

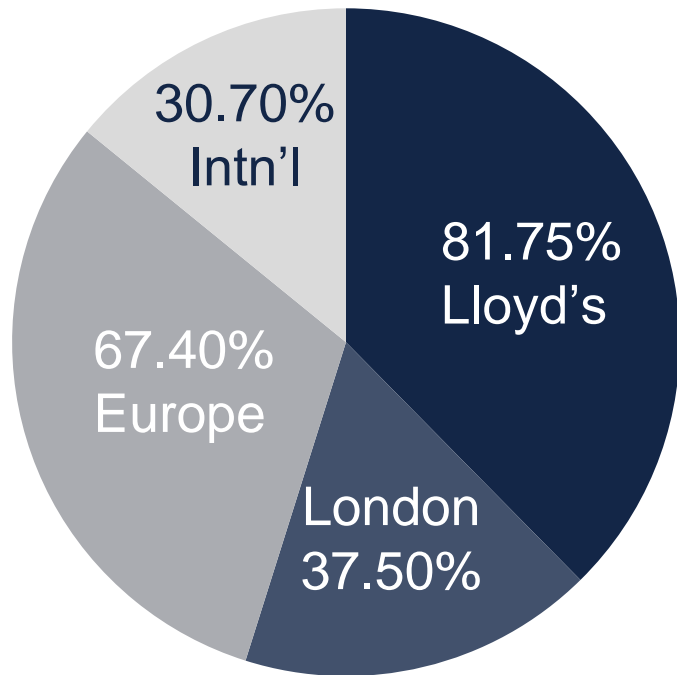
# Airline Hull & Liability

## 2014 Net % Premium Movements



# A Divided Market

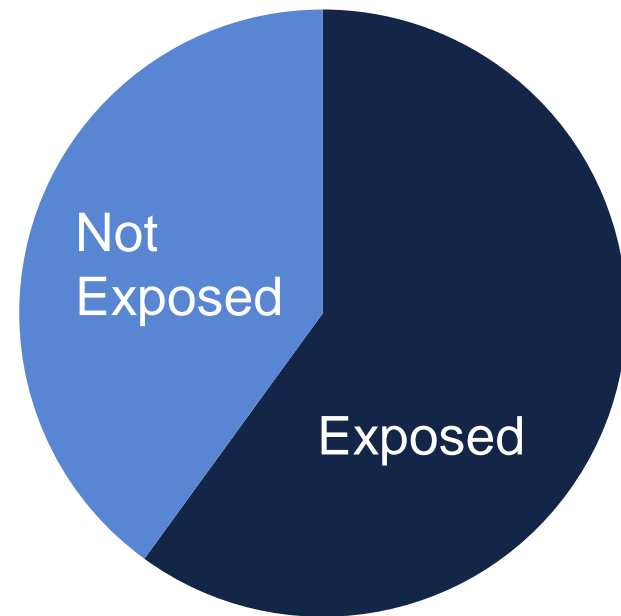
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**Total Capacity 217.35%**

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## Market Capacity Exposure to MH370/017

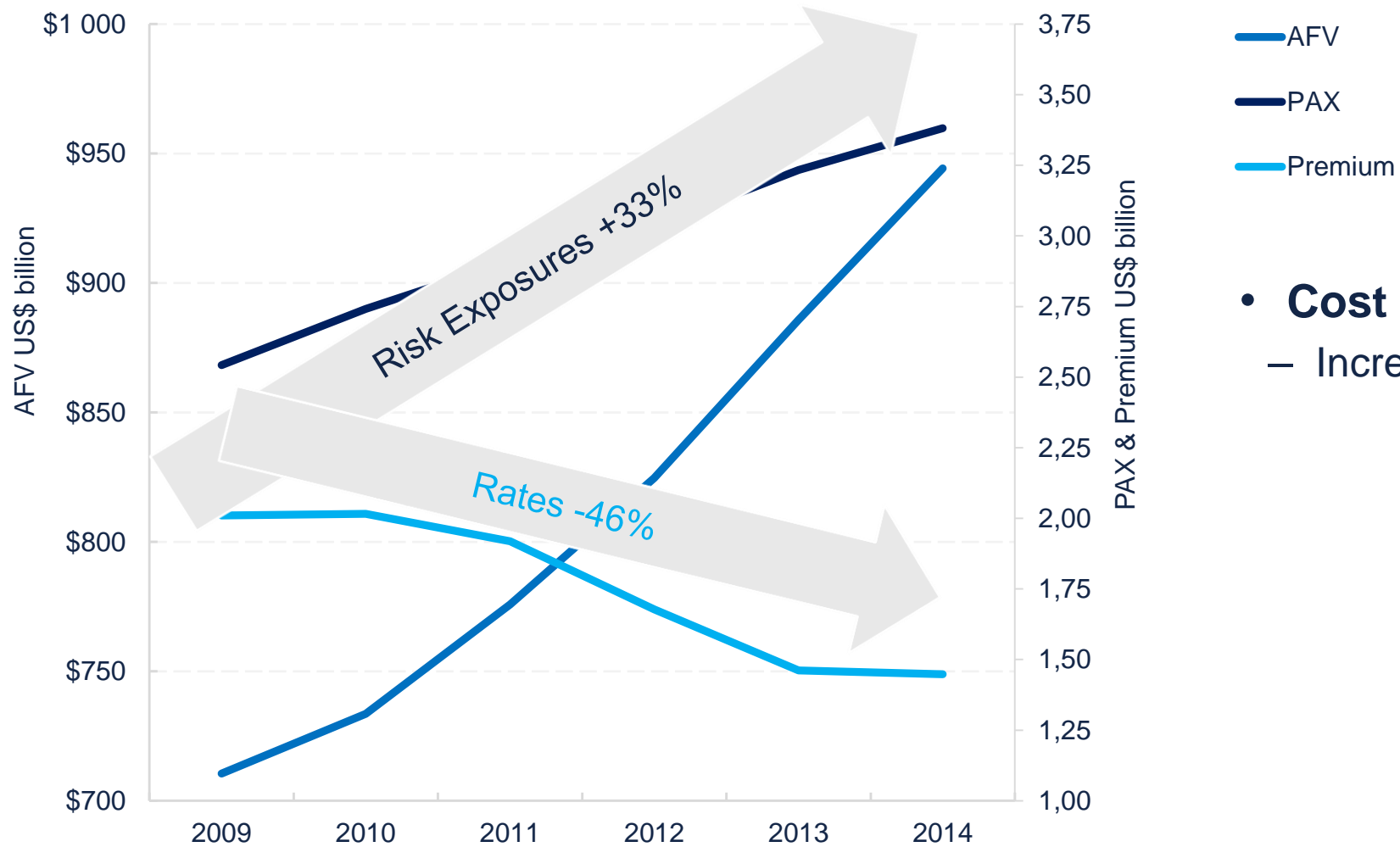


# 'The Miss Factor'

	Airline A	Airline B	Airline C	Airline D	Airline E	Airline F
Market A						
Market B						
Market C						
Market D						
Market E						
Market F						
Market G						
Market H						
Market I						
Market J						
Market K						
Market L						
Market M						
Market N						
Market O						
Market P						
Market Q						
Market R						
Market S						
Market T						
Market U						
Market V						
Market W						
Market X						
Market Y						
Market Z						



# Airline Insurance: Risk Values & Premium



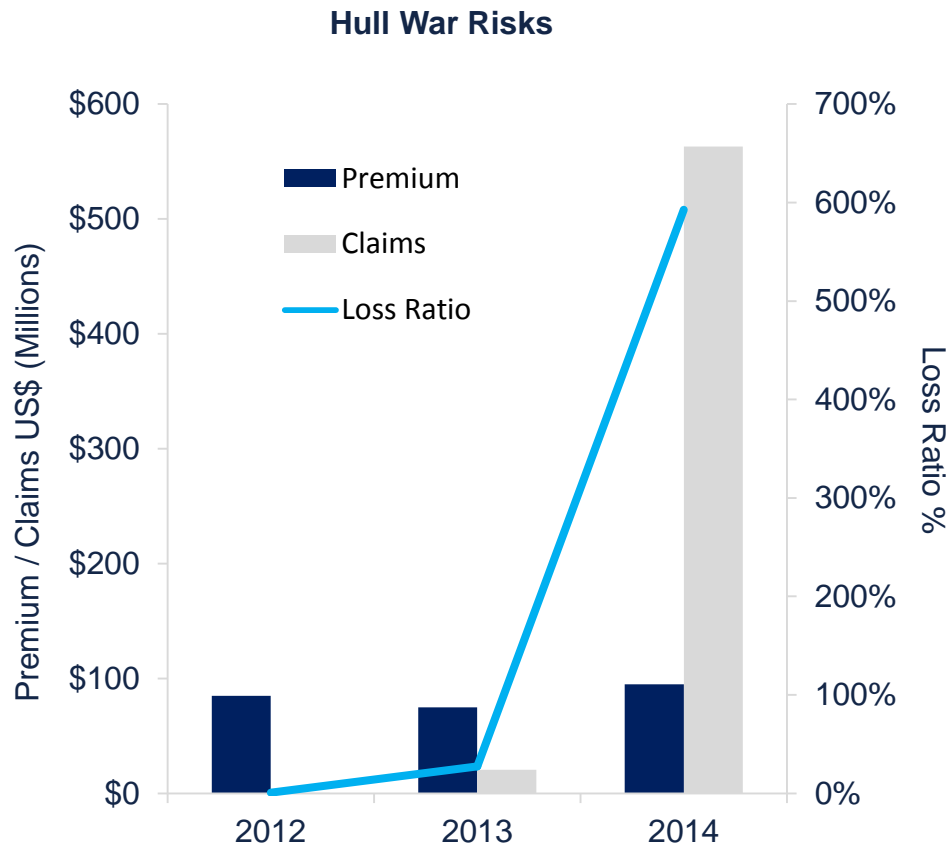
- **Cost of claims**
- Increasing?

Source: Willis Data

# Attack on Tripoli



# Hull War Market - Impact of Major Events



- Traditionally reactive market
- Est. 2013 annual premium - \$60m
- 2014 Market Premium - \$95m
- Average Rate Change - 16%
- Estimated annual losses
  - >US\$563m
 

Malaysia Airlines	US\$151m
Tripoli	>US\$400m
Iraqi, PIA	US\$12m
- Greater scrutiny of risk in general due to rise in terrorist threat.

# Will Aviation be Driven by External Factors?

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