

GLOBAL AEROSPACE



# Aviation Market Discussion

2019 CARE Meeting



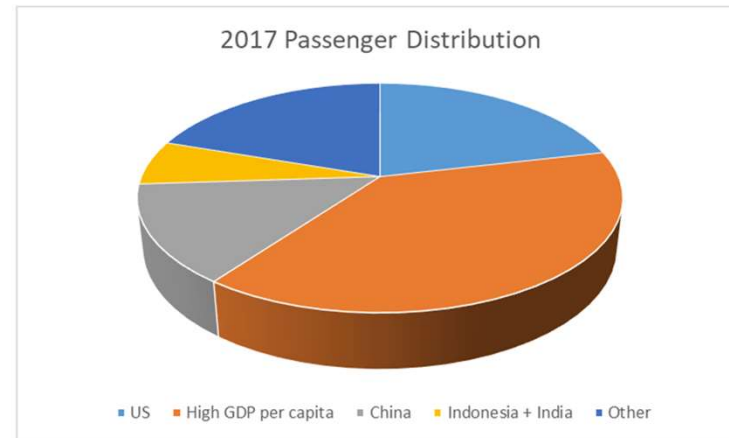
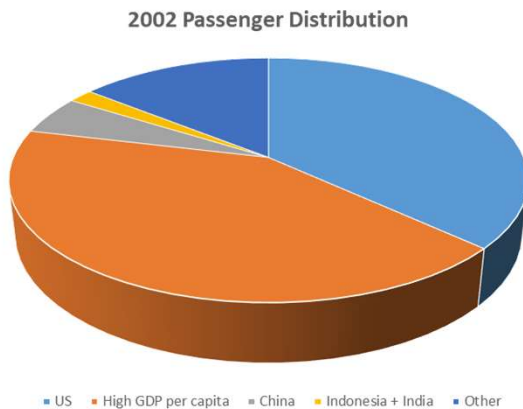
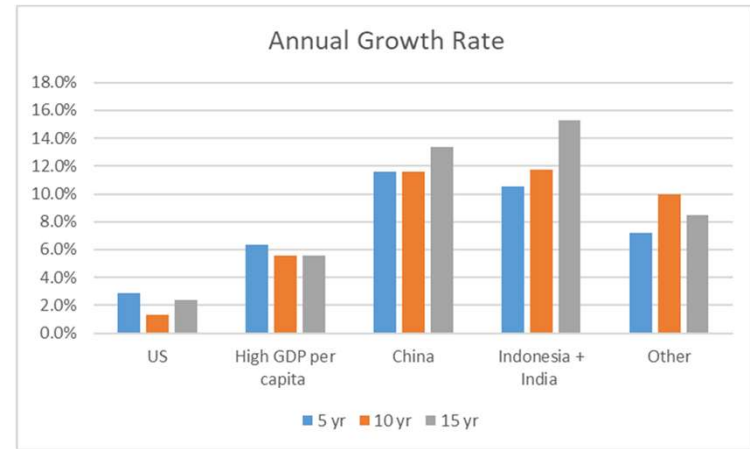
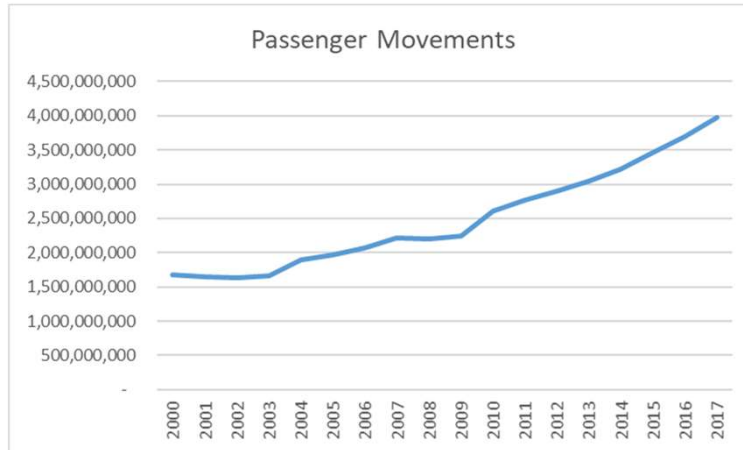
## Agenda

---

- **Air Traffic and the market has grown.**
- **Safety Improvements have reduced the frequency of mass fatality events**
- **Nevertheless, Financial Results have been challenging**
- **Premiums Reductions over time have been significant**
- **Claims Inflation is greater than many realize**
- **Attrition content is greater than many realize**

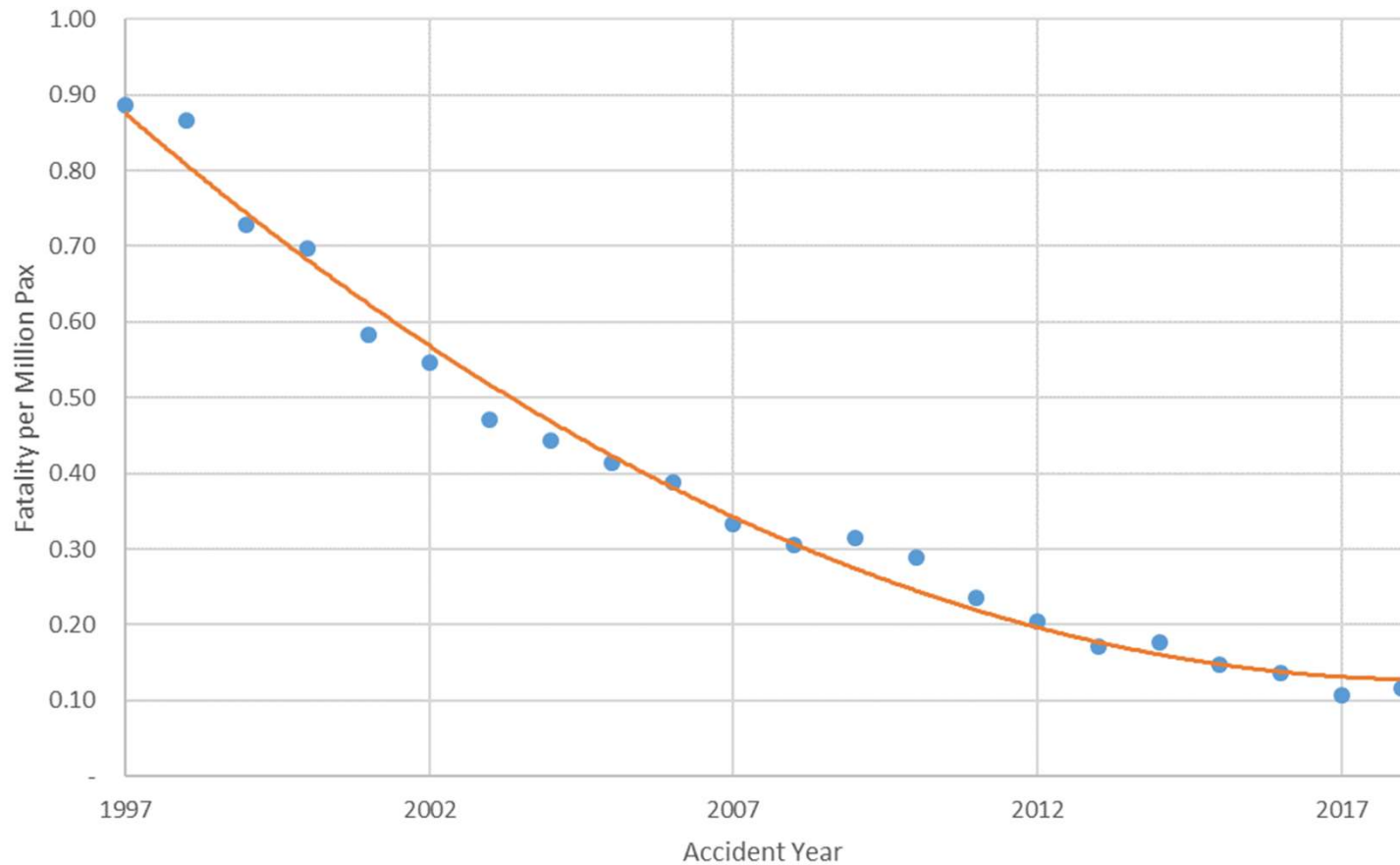
**Conclusion – it is easy to underestimate the impact of the attrition and the claims inflation in this line of business**

# Airline Traffic has grown



# Airline Safety has Improved

## Fatality rate - Five year rolling average



Sources: *Flight Global, World Bank Data*. Airlines – Fatality per Million pax (worldwide) – 5 Year Rolling Averages



**INSURE WITH CONFIDENCE**

# The US Aviation Market Results have deteriorated

2018 was at a 110% Combined Ratio.

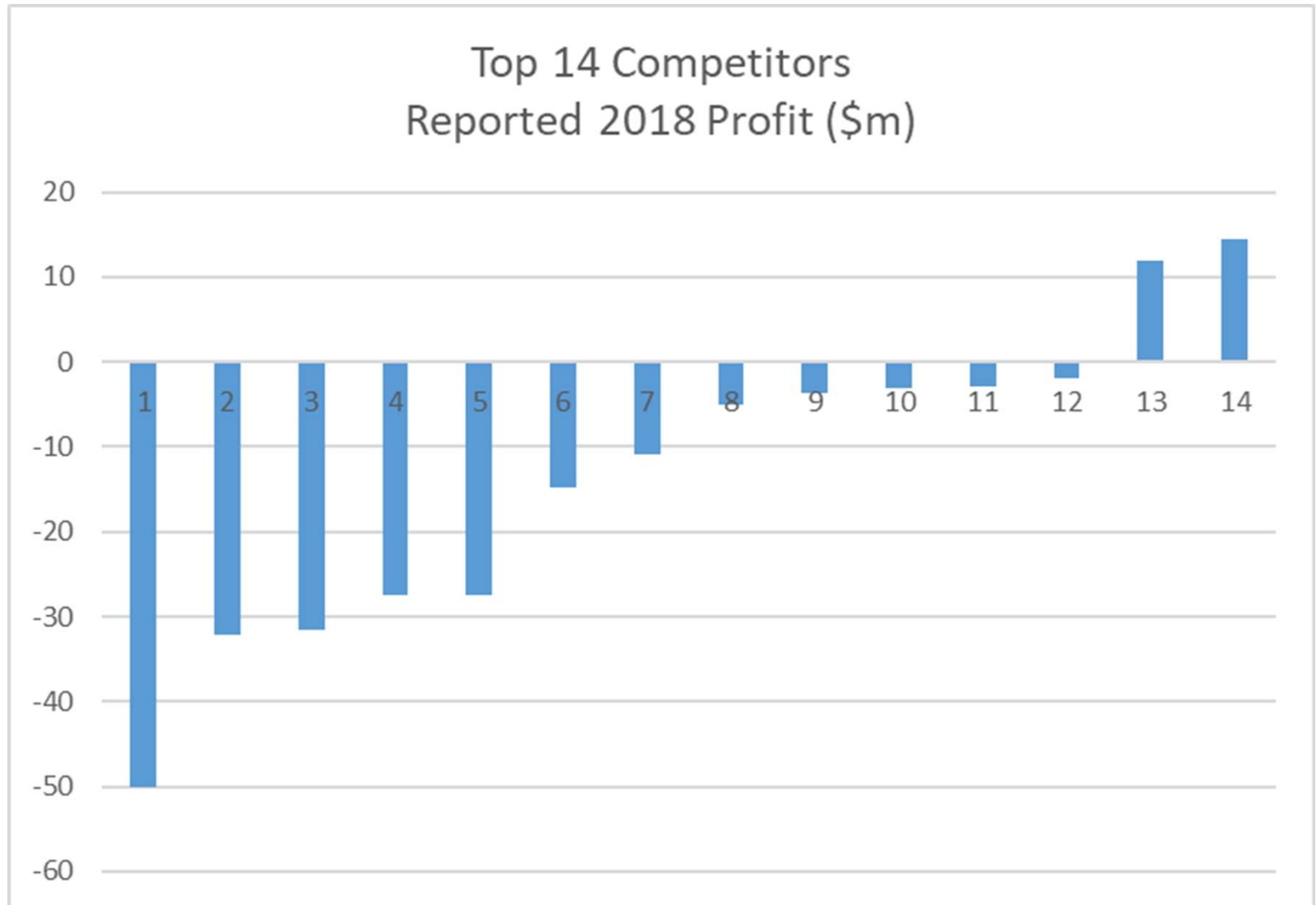


Reported financials with an adjustment for the 9/11 reserve release



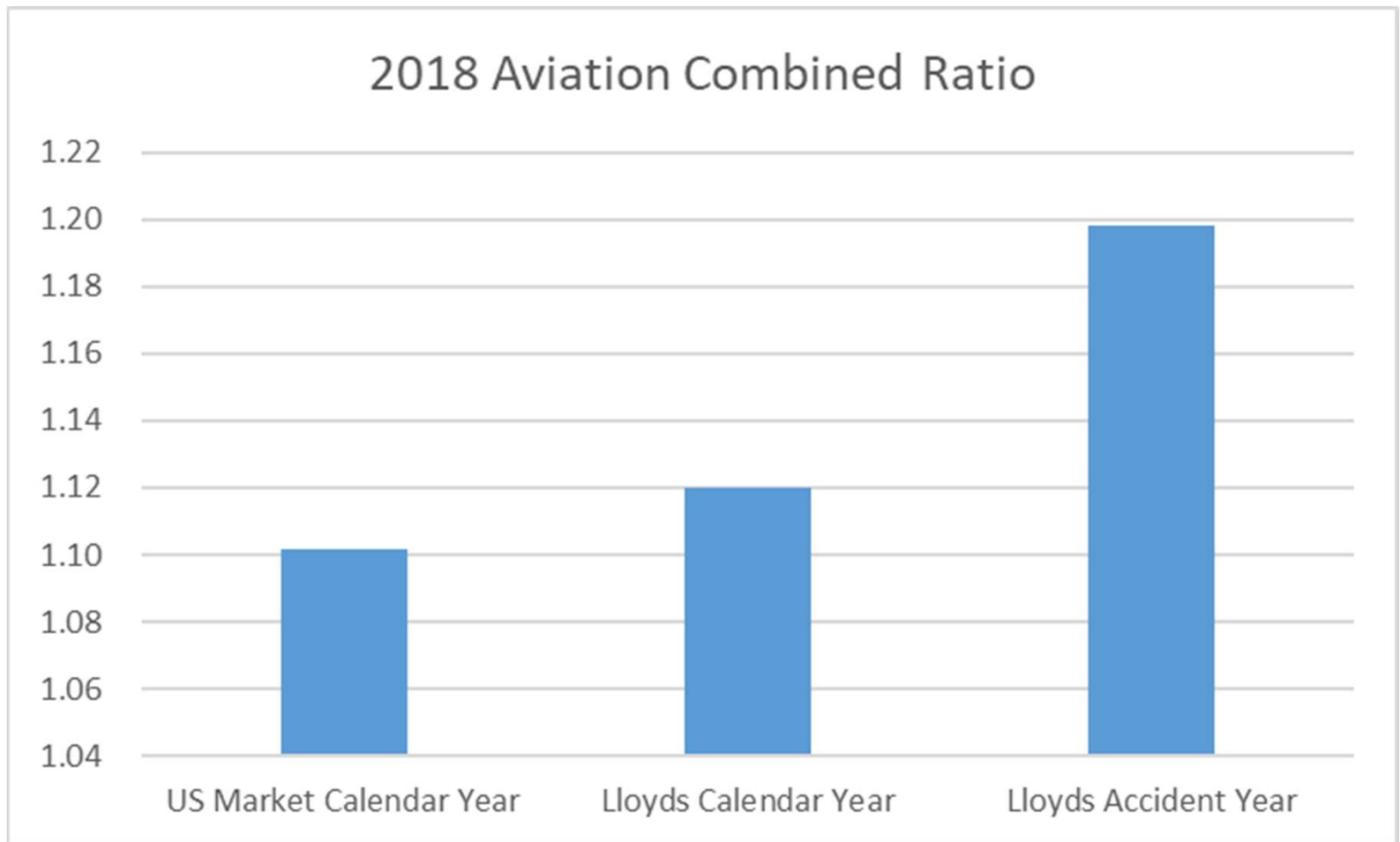
**INSURE WITH CONFIDENCE**

## The Losses are widespread with 12 of our 14 largest competitors reporting a loss in 2018

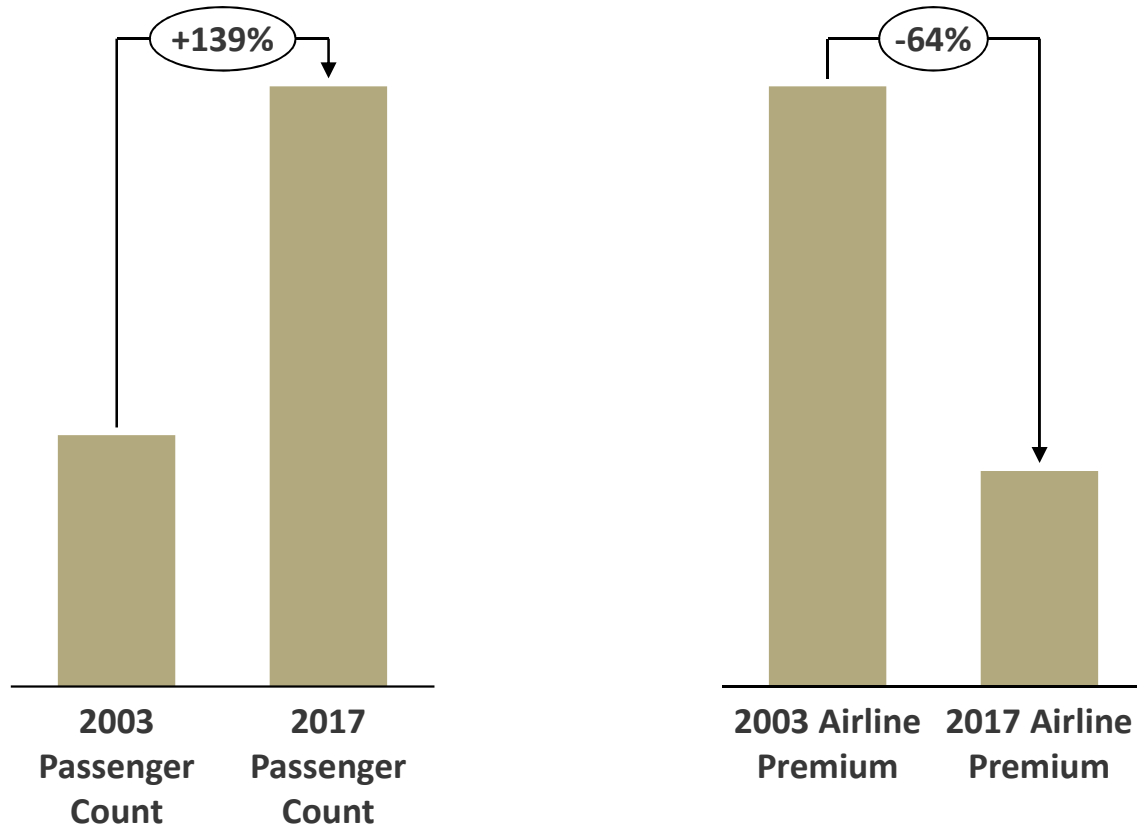


## Lloyds Aviation Results are worse than US results

---

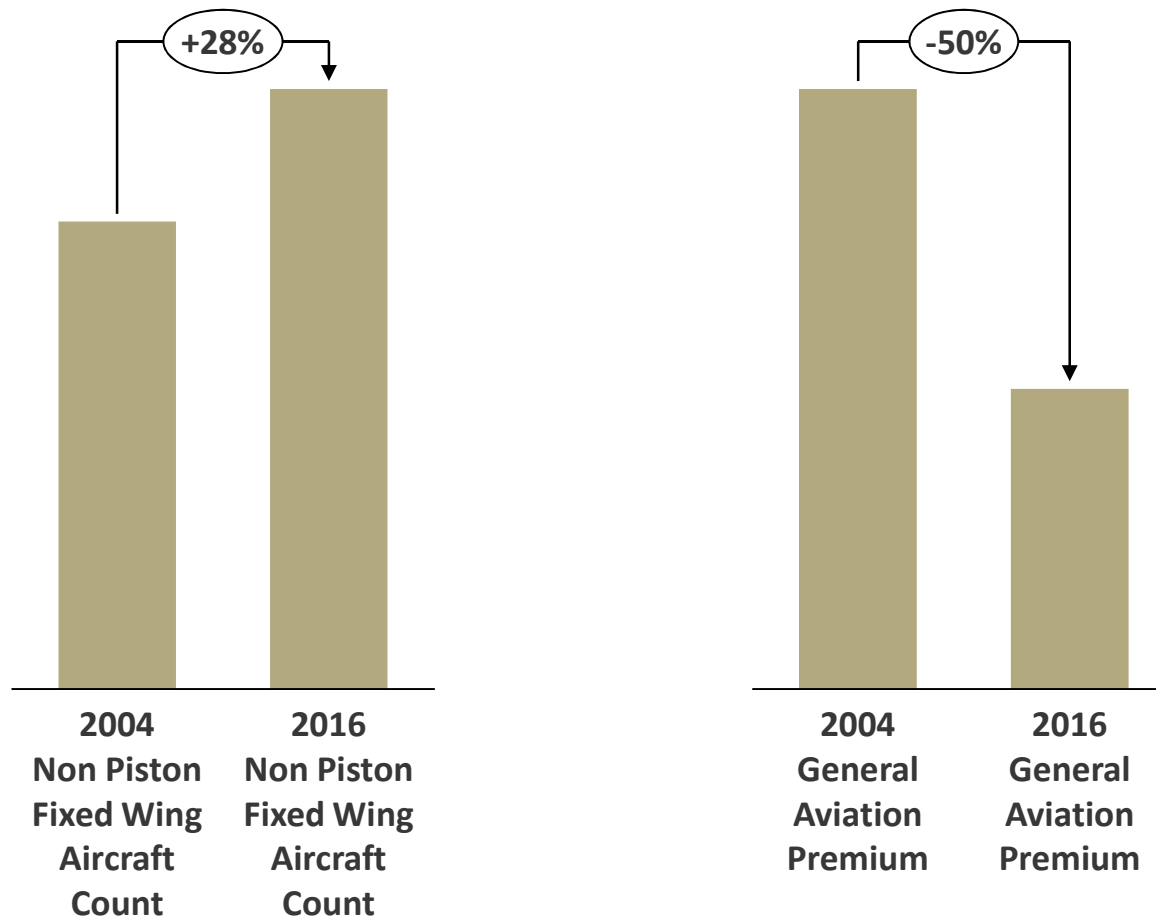


## Premium Reductions - Airlines

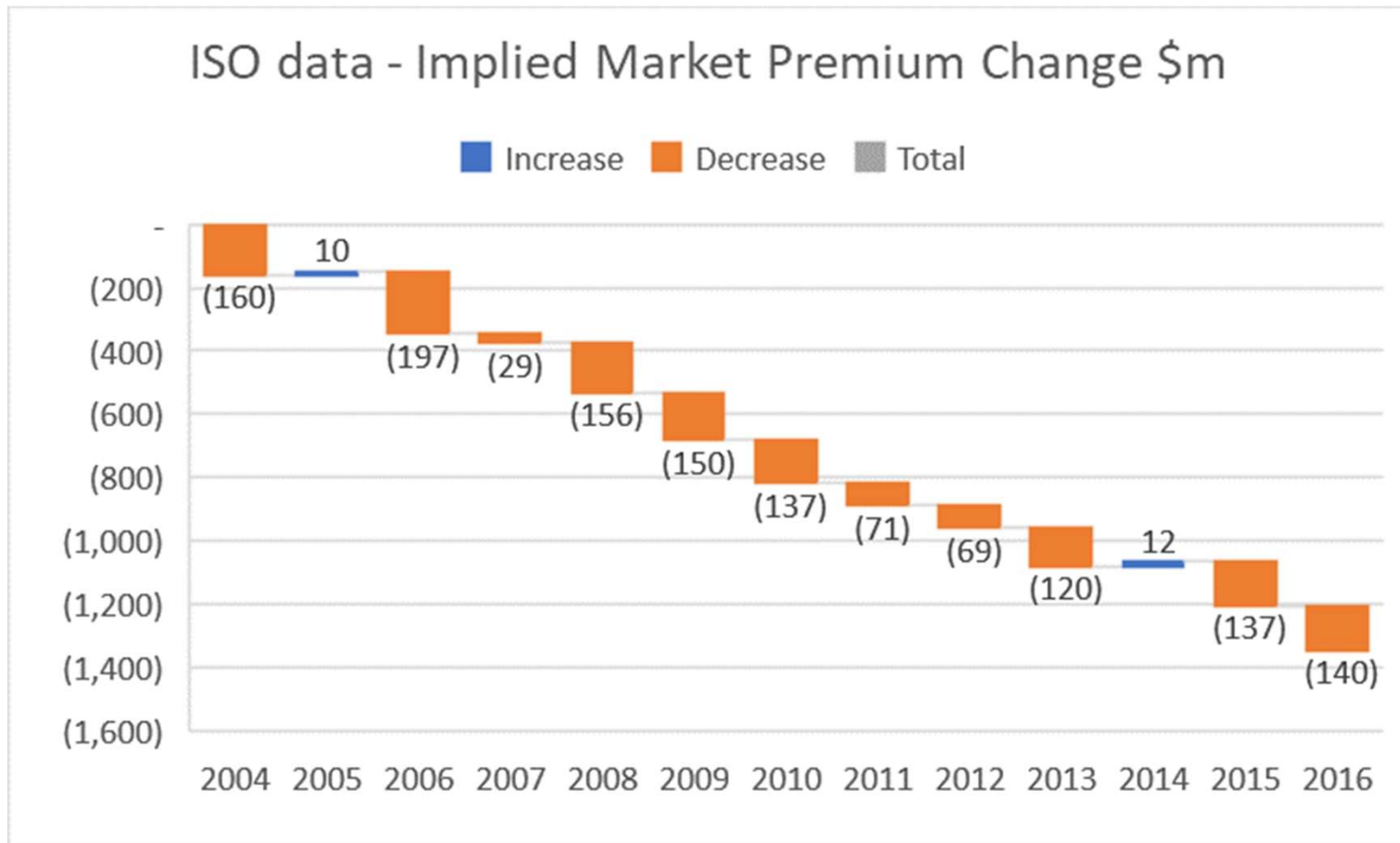




## Premium Reductions – General Aviation



# US General Aviation Premium Reductions



# Claims Costs are Increasing

---

## GE90 Fan Containment Case



# CFM56-7 Foreign Object Damage / B737-800 Engine

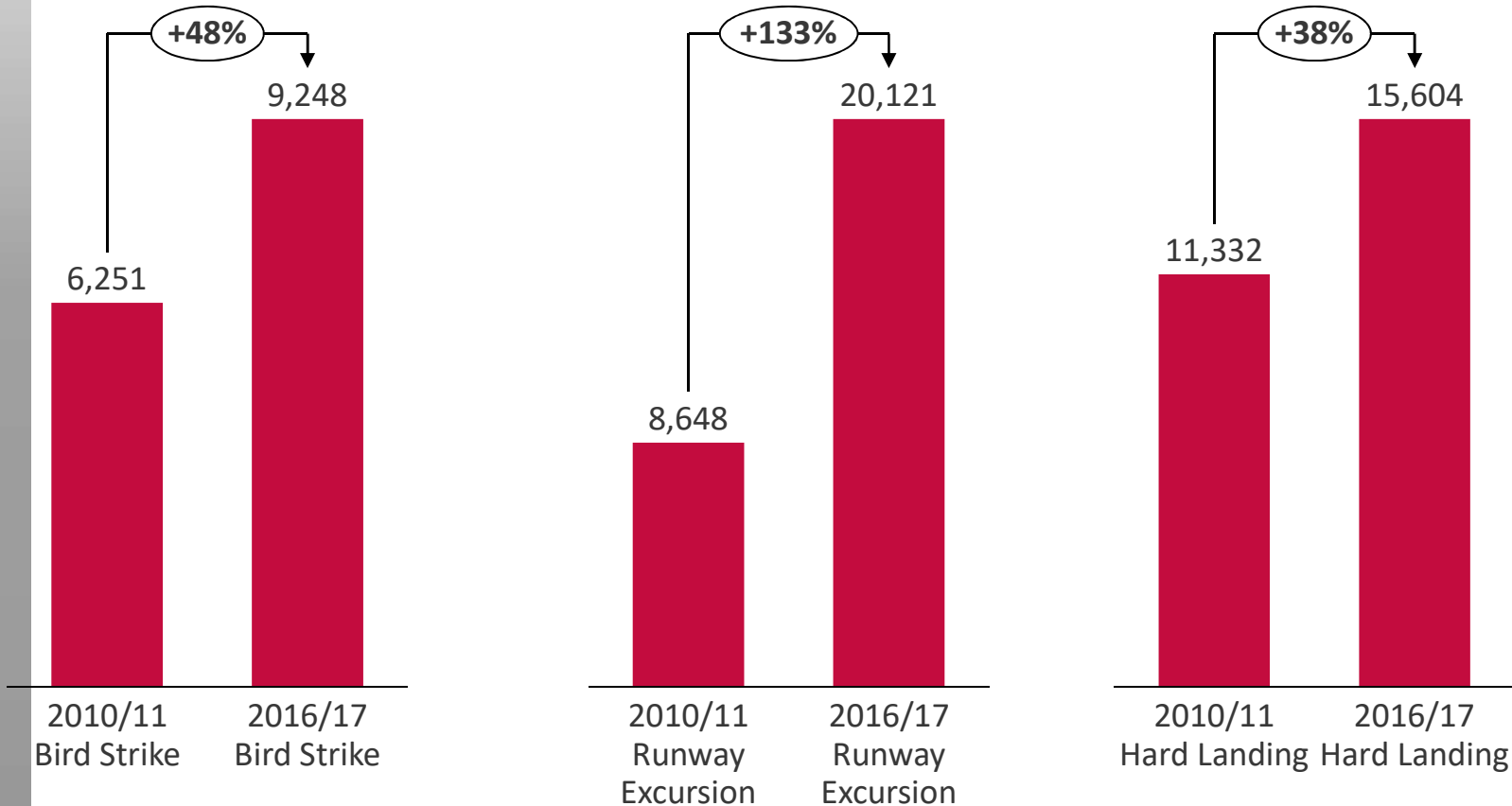
---



# Boeing 787-900 Right Wing Tip Damage

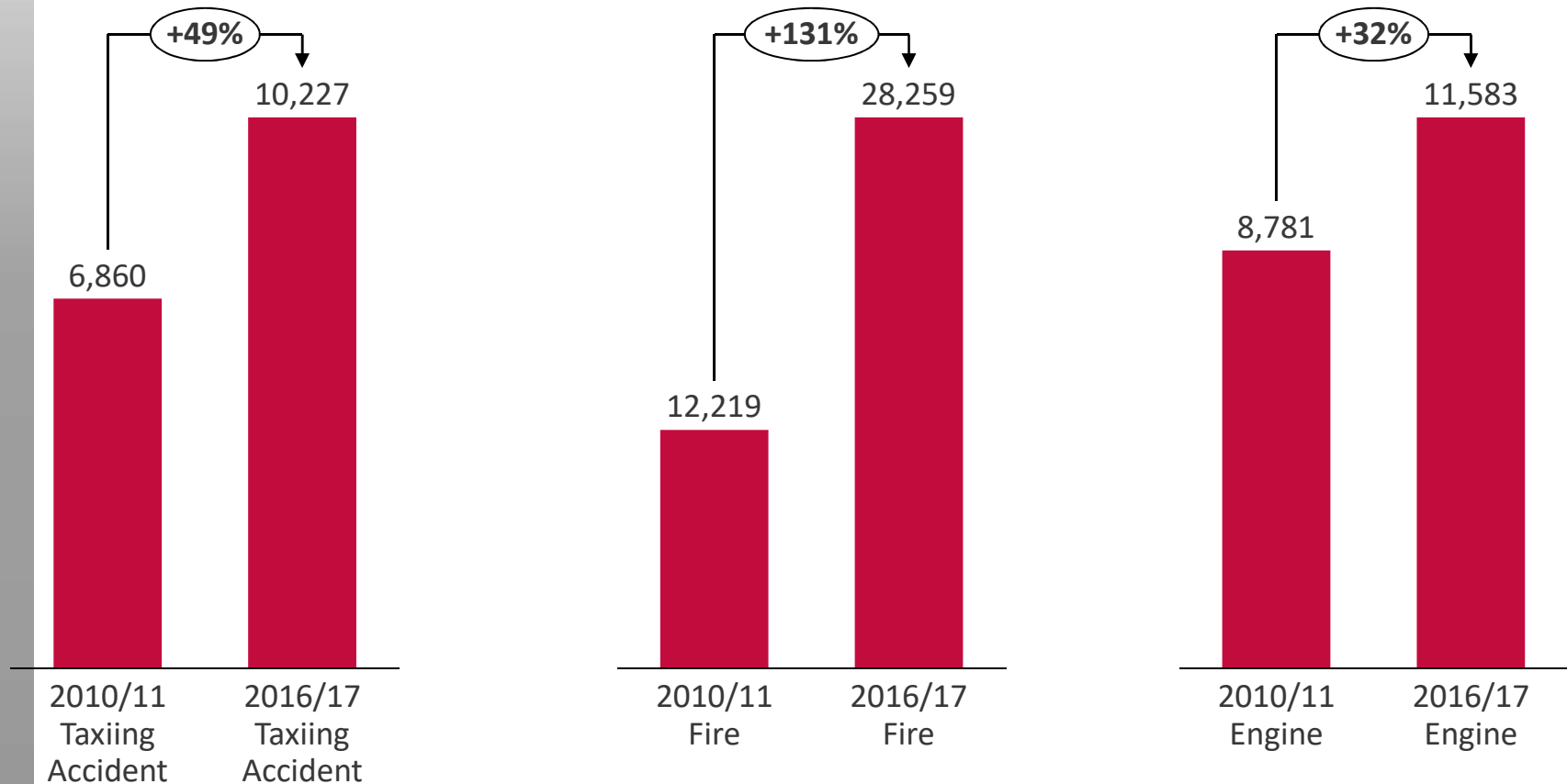


# We see the increased claim severities in the data

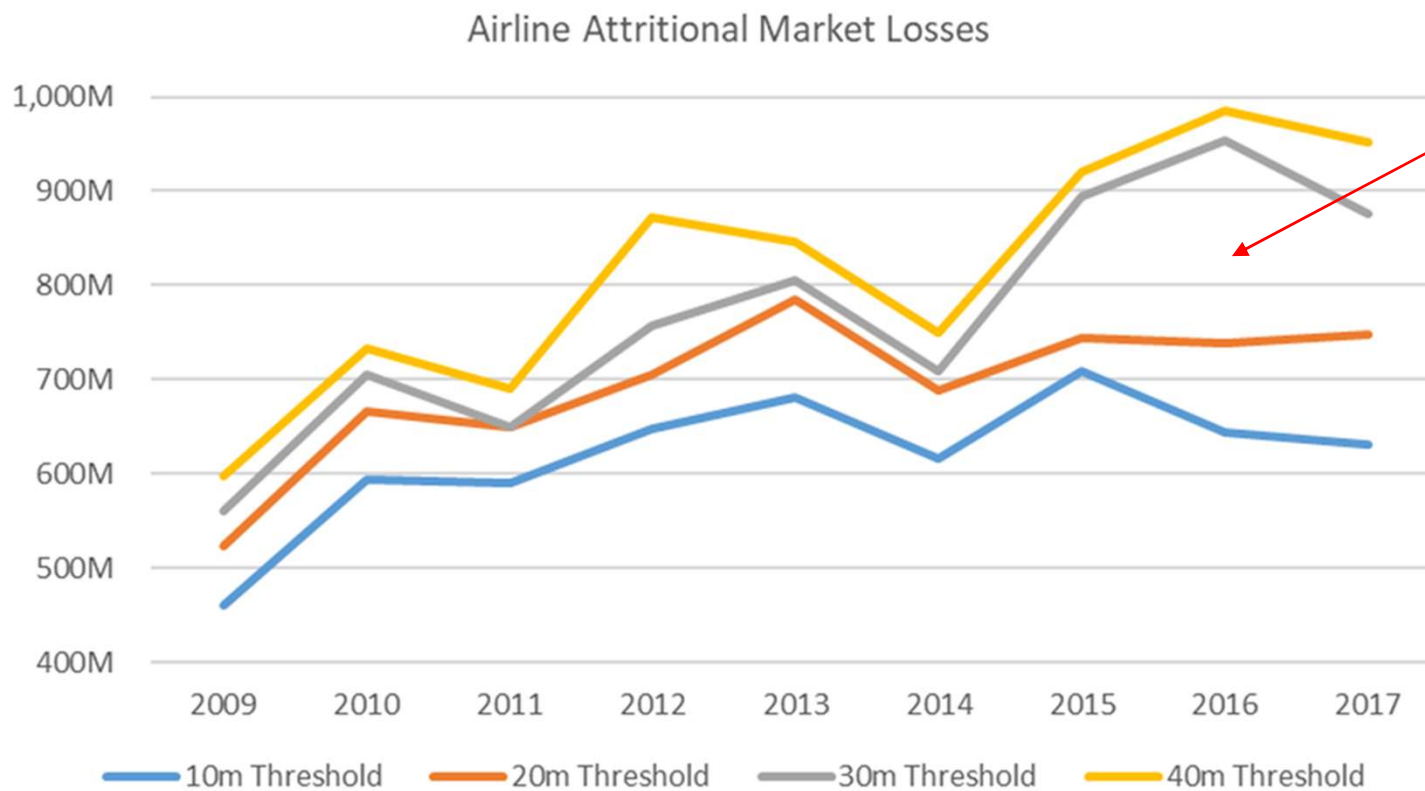


**INSURE WITH CONFIDENCE**

# We see the increased claim severities in the data



# Some discussion about possible different attrition thresholds

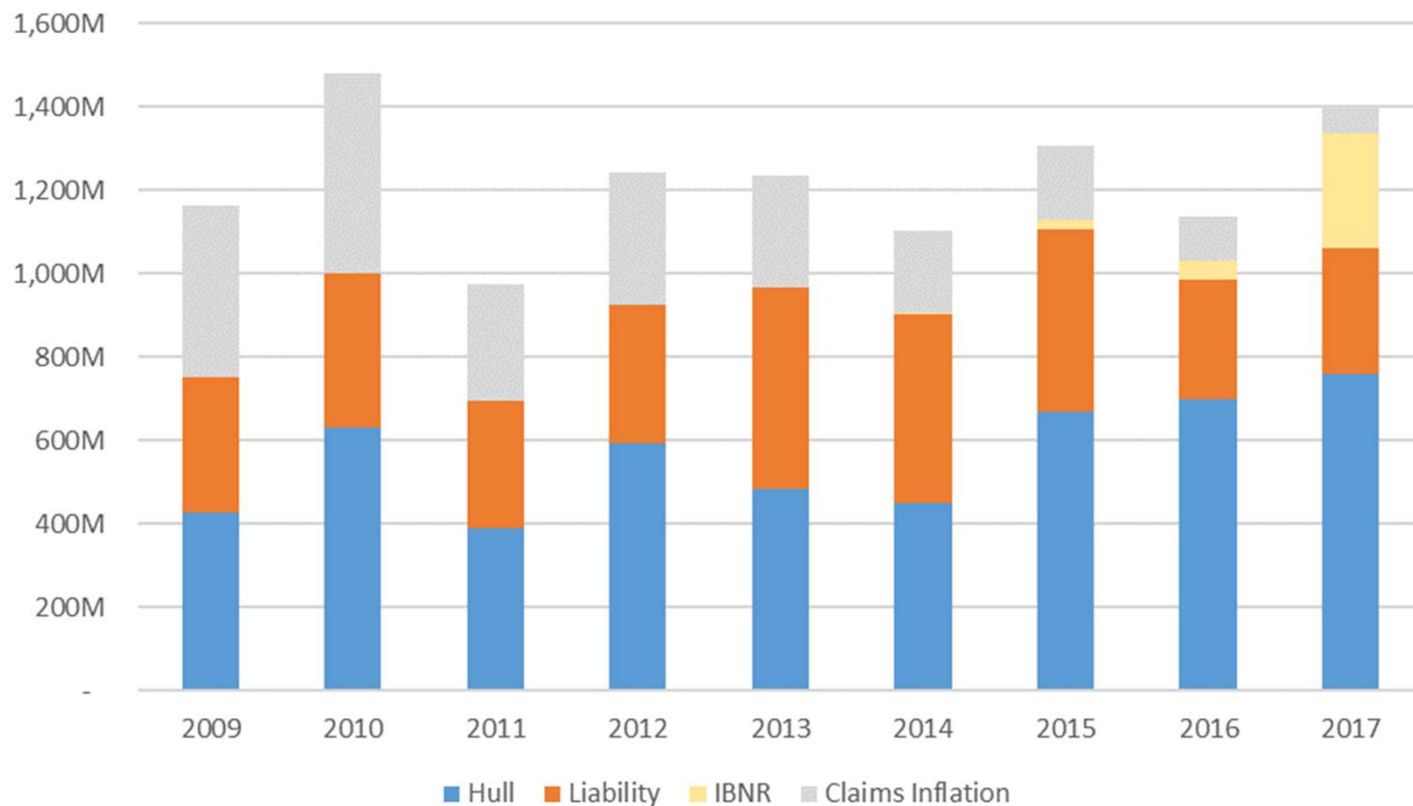


There is an increase in the claims between \$20-\$30m



# Without Catastrophes, Airline Market losses are at least \$1.2bn\*

Airline Market Losses Excluding Cats (Events <\$100m)



\*This assumes that claims inflation is only 5%. There is a good chance that it is higher than that



**INSURE WITH CONFIDENCE**

# Conclusion

---

- **The non catastrophe element of the claims are the largest portion of the claims cost**
- **These claims have been increasing in size**
  - We can see it in the claims examples
  - We see it in the aggregated statistics
- **Focus needs to be put on these increases in order to properly understand the risk**
- **To not do so can lead to sub par financial results**