

Q1 EDITION 2022

PLANETALKING

A SPECIALIST RISK PUBLICATION FOR THE AVIATION SECTOR

FEATURE ARTICLE

LEAD LINES: IN
CONVERSATION WITH
DZUNG NGUYEN TU



Gallagher

Insurance | Risk Management | Consulting

ABOUT GALLAGHER

Founded by Arthur J. Gallagher in Chicago in 1927, Gallagher has grown to become one of the largest insurance brokerage, risk management, and human capital consultant companies in the world. With significant reach internationally, the group employs over 39,000 people and its global network provides services in more than 150 countries.

Gallagher's specialty divisions offer expert insurance and risk management services. We provide bespoke policy wordings, programme design and risk placement solutions, and consulting support across a range of specialisms. We manage complex, large, global risks on a direct and wholesale basis and serve as primary access point to Lloyd's of London, London company markets, and international insurance markets.

**WE HELP BUSINESSES GO BEYOND THEIR GOALS.
IT'S THE GALLAGHER WAY.**



CONTENTS

INSIDE THIS EDITION...

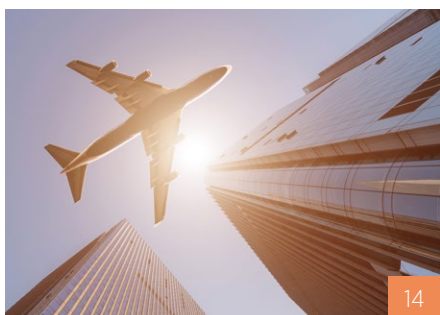
01. LEAD LINES: IN CONVERSATION WITH DZUNG NGUYEN TU



02. IN FOCUS: AIRLINES



03. IN FOCUS: GENERAL AVIATION (GA)



04. IN FOCUS: AEROSPACE INFRASTRUCTURE



05. IN FOCUS: SPACE



06. GALLAGHER UPDATE



07. MARKET PERSONNEL NEWS IN Q1



EDITORIAL TEAM>

RICHARD ADAMS

Partner, Gallagher Aerospace

+44 (0)204 511 4625 | Richard_Adams@ajgaerospace.com

BRAD HILLS

Partner, Gallagher Aerospace

+44 (0)204 511 4642 | Brad_Hills@ajgaerospace.com



EXECUTIVE FOREWORD

Welcome to the first quarter (Q1) 2022 edition of Plane Talking brought to you by the Gallagher Aerospace team.

In this edition, we cover a broad range of topics from commentary on current aviation market conditions and losses, to a summary of the latest market moves and Gallagher news. Additionally, we're very pleased to present a terrific article from external contributor Dzung Nguyen Tu, Deputy CEO at La Reunion Aérienne & Spatiale. We are deeply grateful to Dzung for his very interesting insights.

At the start of 2022 all signs pointed towards a global aviation recovery after two straight years of pandemic pain and multi-billion-dollar industry losses. With passenger numbers increasing and edging nearer to 2019 levels, or indeed in some cases exceeding, the aviation industry was generally optimistic in its outlook and the prospects of a return to profitability. This was great news following what has been an unprecedented and incredibly tough period.

As the first quarter concludes, however, Russia's invasion of Ukraine and the geopolitical uncertainty it has brought has created a renewed sense of uncertainty, casting a shadow over the optimism around recovery. The sanctions and restrictive measures imposed against Russia pose significant logistical and financial challenges to airlines and aerospace companies as well as to lessors and financiers.

From an insurance perspective, there has been much speculation in the press in recent weeks over claims and the implications of sanctions. In such a rapidly evolving situation insurers are conveying a range of views, but regardless of what transpires, 2022 renewals look set to present another complex engagement.

This current situation has created a host of new challenges and comes at a time when brokers, clients and insurers are all still contending with the complexities of negotiation through what we hope is the tail of the pandemic. With all parties fully engaged and focused we hope and expect that the insurance market will again react calmly and sympathetically following a full assessment of the actual situation as it stands today, alongside a measured and constructive outlook for the future.

In this uncertain environment, it is important that our clients continue to get the support they need and can be confident that their broker has the resource, expertise and market experience to deliver. On this note, I am delighted to announce that Gallagher has made a number of further appointments to our global aerospace practice in these early months of 2022. Each of our new colleagues (detailed later in this edition) is a valuable addition to our team. Their recruitment at this juncture now more than ever demonstrates Gallagher's long-term commitment to aviation and our strategy of investing in talent to deliver the highest quality service and value proposition available anywhere in the sector.

Our hopes and prayers are with those affected by conflict, and for peace, restoration and justice.

We hope you enjoy this edition. Please don't hesitate to get in touch.



PETER ELSON

Chief Executive Officer, Gallagher Aerospace
+44 (0)204 511 4588 | Peter_Elson@ajgaerospace.com

›INTERESTED IN FEATURING IN A FUTURE
EDITION OF PLANE TALKING?

If so, then please contact us at:

info@ajgaerospace.com

01. LEAD LINES: IN CONVERSATION WITH DZUNG NGUYEN TU

AUTHOR: **DZUNG NGUYEN TU**, DEPUTY CEO AT LA REUNION AÉRIENNE & SPATIALE (LRA-S)

In this feature, Dzung provides answers to a series of questions, posed by Gallagher Aerospace, covering a range of topics involving both the aviation industry and insurance market.

You recently joined LRA-S, what is your vision for the future?

I have been fortunate to be in the aviation insurance market for more than 25 years and have been passionate since my first day as I guess have all of us working in this amazing and always moving industry! It is fascinating to see how our industry is so linked with the geopolitical environment and the global economy following the Covid crisis, and now we are currently assessing the ramifications of the tragic invasion of Ukraine by Russia on our market.

Joining LRA-S Group was a great opportunity to be part of a pure player in aerospace and a brand with a unique history of some 70 years.

I am convinced, indeed, that a nimble and focussed structure is essential when today, more than ever, we have to be attentive and on the side to our client in this uncertain and complex environment. The autonomy of what we do at LRA-S, free from external non-aviation influences is a real advantage, having our focus right to respond to our client's concerns, from the very top of the company to our empowered underwriters and claims handlers.

I am confident it is a major benefit in achieving our goals and product offering. Gaining the preference of our clients and brokers is our mission statement for the future development at LRA-S. Going forward, we are working on two priorities: to strengthen our technical expertise, leveraging data to better support our client and secondly to develop our international market footprint as well as our lead position in France.

Insurers speak about wanting to innovate the aviation insurance product, what if anything, would you like to change?

What customers are expecting from our market?

A stable and a financially sound market to support and protect their assets and liability against the black swan exceptional event; a tailored approach for differentiation and fair pricing; quality of service and an efficiency to quickly pay the claim, hence providing a good value for the price. Putting aside the volatility of the cycle inherent to the catastrophe nature of the aviation risk, I think collectively our market is doing even more than just ticking the boxes.

We should remember that although not perfect, some may say not very sophisticated, the product works. Every second, 24 hours a day, 7 days a week, an aircraft is departing with an average limit of \$1.5 billion, covered by our market, which is roughly equivalent to the global estimated premium for the year! Importantly, a hull claim today that could be up to \$300 million would on average, be paid within a week.

In our very mature co-insurance structured market, innovation for our aviation product is a difficult topic. It should rather be further considered how insurers can go beyond our product; how can we partner on risk prevention; how can we support the non-transferred risks knowing that \$10 billion attritional claims are today not transferred! How can we mitigate the impacts of the climate change? How can we better support business interruption? Parametric insurance; alternative risk transfer, are definitely areas where our market should partner for solutions to our customer concerns.

We should accelerate and modernise the way we are trading. The issue is not only to be digital but to set up a blockchain market, a genuine e-trading global market place encompassing clients, brokers, lawyers, loss adjusters and underwriters, all trading for the entire value chain, from client coverage issues to claims indemnification. It will definitely bring a significant gain in efficiency and speed as well as a securitization, trust and collection of data; a real benefit for all parties. However, it will only be possible with a collective market willingness.

Aviation companies are adopting a range of initiatives to address ESG issues, how do you view this and can those clients with strong 'green' credentials benefit from any special recognition in terms of rating and pricing?

Obviously, LRA as an insurer is to support the aviation industry as it strives to meet their goals of carbon neutral status by 2050. Today, investing to reduce carbon emissions is a matter of survival for aviation companies and it is not a choice but a necessity. This question goes hand in hand with the development of new technology and advances with fuel and the propulsion powering aircraft sustaining completely non fossil fuel-based flight. It will represent circa 90% of the equation, the remaining 10% being the optimization of ground and flying operations.

New technology has historically benefited the improvement of flight safety, which it goes without saying, should be imperative for future operations. Nevertheless, in view of the stringent timing agenda, this remains to be seen, and any other pricing consideration is a more esoteric question.





As an insurer, how to support our client in this transition is a complex question that should not be solved simply by a “green washing underwriting policy” or by granting premium reductions to “green” operators able to invest in new technologies or use sustainable aviation fuel (SAF). Indeed, the implementation of such a strategy, at this stage, would penalize companies which do not have access to these new resources, but whose operations are nevertheless essential to the growth of the territories. The social component of ESG must be kept in mind; hence we should be more attentive to the trajectory for transition than the pure environmental scoring itself. At LRA, we are currently working to integrate this component in our client quality assessment as a factor of our line size and support.

Lastly, we are engaging in a sustained eco-responsible action to compensate our own carbon footprint through the implementation of our own greenhouse gas reduction as well as sponsoring innovative reforestation projects. We are now considering the funding of research in the field of sustainable aviation fuels and insurTech starts up of the green economy.

Lastly, what can aviation insurance buyers expect in 2022, how do you see the market trending?

This is the obvious question as ever! The certainty is that uncertainty is today part of the day-to-day existence for all of us. The big unknown at this moment, is the ramifications of the Russia - Ukraine war and its effects on the aviation insurance market. There are still a lot of questions, but it could be a true game changer for the market in view of the magnitude of the potential loss for aviation war insurers and reinsurers. Besides that, the uncertainty over traffic recovery from the pandemic crisis that tomorrow will have to deal with an energy crisis; the change of paradigm for business travels and the challenges linked to the decarbonisation pressure. These are all in addition to the enduring uncertainty of loss patterns and social inflation, that although may seem benign in comparison, are real concerns. We all have to learn to navigate through a more complex environment.



Anyway, what is the situation of the aviation insurance market today?

Following a continuous deficit for the last 7 years, the aviation insurance market looks to have finally returned to profit in 2021. However, we should keep in mind firstly, that this favourable year was linked to the level of aircraft operation and passenger traffic, which was still half pre-Covid levels, and secondly that this recovery year is not compensating for the losses cumulatively experienced over the past 10 years and so the market remains in a very significant deficit.

A normalization of the market pricing in combination with a strong rebound in traffic passenger in 2022 would have no doubt seen an increase in insurance capacity. However, with the Russia-Ukraine conflict, for the moment the market steps into the unknown.

If I may make a final comment, whilst volatility of the aviation insurance is inherent to the nature of the risk, it is critical to promote sustainability in the long-run. Our challenge as a market is to find this right equilibrium between fair pricing for the client as well as adequate premium to cover not only the claims, but the cost of risk and necessary remuneration for capital providers.

As a market, we should remind ourselves of the historical mistakes that have been made, if we wish to maintain the stability and financially sound support expected by clients and brokers alike.

TO FIND OUT MORE >

DZUNG NGUYEN TU

Deputy CEO at La Reunion Aérienne & Spatiale
dzung.nguyentu@la-reunion-aerienne.com

www.la-reunion-aerienne.com

02. IN FOCUS: AIRLINES



As we entered into 2022, conditions in the aviation insurance market were softening and all signs pointed towards further moderation of rates and a potential return to a soft market. However, as the first quarter concludes, there are clouds on the horizon and the outlook is now less clear following the unfortunate events taking place in Ukraine. The question is, how will this situation impact on the aviation insurance market and what can airline insurance buyers expect in the months ahead?

Premium and rating trends

While the first quarter must be considered a quiet period in terms of airline renewal numbers, from our analysis the underlying conditions showed little change from those seen at the end of 2021. Overall rates remained relatively flat in Q1, but renewal activity was somewhat limited, with this period experiencing the lowest number of airline renewals than any other quarter. The actual results of Q1 continued to show rate variation between each individual risk, with flat renewals, decreases and indeed increases all evident.

Based on our knowledge of forthcoming renewals now finalised and or those that are currently in negotiation, indications would suggest that the All Risks rating trend is holding stable as we enter in to Q2. The current Russia/Ukraine situation has however brought uncertainty to the outlook, with aviation insurers now facing substantial claims. It is very early days, but positively most of the aviation market has remained calm, and we are yet to see any real knee jerk reaction from underwriters. While we cannot disregard the potential negative impact to future market conditions and rating, for now we expect to see a continuation of the current trend albeit with some upwards pressure on All Risks pricing, and a more significant increase in rates on War and Excess War TP business.



The second quarter is a slightly busier period for airline renewals, but it is not really until July that we will start to see the larger carriers and Groupings renewing, which will give us a far better barometer of just how the market is trending.

Despite much conjecture in the market and media, the Russia/Ukraine situation is developing rapidly so it is premature to make loss assumptions. Insurers and media are suggesting a range of possible outcomes, including the materialisation of the aviation insurance markets largest ever loss event. Indeed, ratings agency S&P recently published a [report](#) highlighting three notably different scenarios and values for potential aviation insurance losses. The first scenario was a base-case assumption of \$6bn in losses, the second of \$12bn and the third of \$15bn, with around 50% of these losses falling on reinsurers. Significant losses are predicted, but we must acknowledge the uncertainty surrounding the situation and that it may take many years to settle the ultimate losses incurred.

Perhaps the one thing we can say with certainty now is that this situation and these sanctions implications have undoubtedly created a host of additional challenges and increased workload for the market, at a time when brokers, clients and insurers are all continuing to contend with the complexities of pandemic affected negotiations.

Capacity

Capacity levels remained stable in Q1, unchanged from year-end, and after levels increased and new entrants appeared in 2021, most accounts found added options available to them at this renewal, which had a positive impact on the results. For now, airline capacity levels remain strong and we expect this to hold, at least in the short-term. Longer-term capacity levels will depend on just how the Russia/Ukraine situation plays out and what happens in terms of losses. Of course, should substantial claims manifest, which insurers are liable to pay, then there is the future risk that insurer management will re-introduce underwriting restraints and we could see the withdrawal of some markets, but for now, we expect insurers to remain calm and assess the situation as it develops.

While not directly capacity related, we have continued to observe significant staff movement amongst insurers. Several high-profile senior underwriters and multiple other sector specialists have moved companies in recent months and it will be interesting to see what happens once these individuals start working in their new positions.

Hull War and Excess War TP

At the end of last year increased capacity, appetite and competition were all having a softening effect on Hull War and Excess War TP pricing. The consensus was that rates in these sub-sectors would continue to soften throughout 2022, and indeed, as we navigated the early months of this year, we recorded further moderation. Unfortunately, as we write this update we are now looking at a very different outlook for this market.

In recent weeks, the war market has unfortunately become a prominent topic of discussion following Russia's invasion of Ukraine. This situation, and the subsequent UK, EU and US sanctions imposed against Russia, have the potential to produce substantial claims for this sub-sector and become a significant loss event for the whole aviation market, as mentioned earlier.

In terms of insurance pricing, with the prospect of losses and heightened geopolitical instability, the perceived risk for these two covers has increased and insurers are reacting to the uncertainty. As we write this update, we are starting to see a notable uplift in both Hull War and Excess War TP rating requirements but fortunately, at this stage the overall market response hasn't been as severe as some might have anticipated. A handful of insurers have however disappointingly, adopted a notably hard stance, quoting substantially higher rate increases than their peers on new renewals.

Pricing aside, we have also seen class insurers issuing notices of cancellation to review coverage and/or seeking to remove geographical territories under the Hull War and Excess War TP policies, as they reassess their risk exposure. This is a developing situation and historically this class of business is known for reacting strongly to market events and losses, so this is perhaps unsurprising. With heightened focus on coverage and exposures, airlines with policies renewing in the coming months of 2022 should now be prepared to face added pricing pressure and underwriter scrutiny on renewal.



Airline losses

In terms of losses, we recorded one fatal commercial airline loss during the first quarter of 2022. This involved a China Eastern Boeing 737-800 which crashed in the mountains of southern China's Guangxi region on a domestic flight. All 132 people on board were killed. Additionally, we also recorded an airline incident involving a DHL Aero Expreso B757-200 cargo aircraft which skidded off the runway and broke in two following an emergency landing at Costa Rica's Juan Santamaria international airport. Fortunately the crew was unharmed. In terms of insurance, standalone, we would not view these losses as particularly impactful ones considering the relatively low aircraft values and estimated liabilities. That said, we must be mindful that these losses have coincided with the losses from Russia and Ukraine, and so will only serve to heighten the current situation.

As mentioned, the scale of losses from this conflict is potentially huge. Various insurance policies in place are now subject to sanctions and there is uncertainty as to which any impacted insureds will attempt to claim against. Which policies the majority of claims fall under and indeed how insurers respond, will ultimately determine the size of the loss to the market, but at this stage, it is premature to speculate. We must also be mindful of any potential peace agreement in the coming months and how this might affect sanctions and play a part in what transpires.

We are aware of several Hull War losses however, in respect of damaged and or destroyed aircraft in Ukraine. The values and specifics are unconfirmed and it is not clear whether all of the affected operators had active hull war cover at the time of loss, and whether these will result in claims, so it may be some time before this is determined.

With the aviation war market producing a modest annual premium of circa USD 150 million, just a handful of aircraft losses have the potential to wipe out one if not multiple years of income, so all parties will be closely monitoring this situation in the months ahead.

Future outlook

- We expect to see a continuation of the current trend albeit with some upwards pressure on All Risks pricing, and a more significant increase in rates on War and Excess War TP business
- The Russia/Ukraine situation has brought uncertainty around the longer-term trending
- Some element of losses will fall on the reinsurance market and if substantial this could have a greater impact on insurance pricing across all classes
- Particular policy aspects now provided are being reviewed, and we would anticipate a heightened underwriter focus on terms and policy coverage
- This is a rapidly developing situation so things can change, but we hope insurers will stay calm and take a measured and constructive outlook following a full assessment of the actual situation as it evolves.



03. IN FOCUS: GENERAL AVIATION (GA)

AUTHOR: **BARRY MARLER**, PARTNER, GALLAGHER AEROSPACE (LONDON)



As the first quarter of 2022 closes, conditions in the GA insurance market are largely positive with further softening and moderation of rates evident. However, following the unfortunate events in Ukraine the outlook is now uncertain and developments in the coming weeks and months, are likely to play a significant part in the future direction of the market.

I am now in my fourth decade of working in the aviation insurance market and when discussing GA trends and drivers, I've rarely had to make reference to what is going on in the Hull War market. Yes, we have witnessed some serious rating corrections in the Hull War market, on occasions where major losses have happened i.e. 9/11, the Colombo airport attack, MH17, the Tripoli airport attack, but usually these are relatively short lived and infrequent. Traditionally, a GA buyers Hull War rates will be minimal and in essence, this

portion of the client's premium spend will be so negligible that a double or even triple digit increase would to some degree be lost in the cost of what is going on in the main All Risks placement. Recent years however have seen a more sustained hardening and increased loss activity, and now with the Russia/Ukraine situation having brought new uncertainty and a host of sanctions complications, this class of business may well become a more prominent aspect of future GA renewal discussions.

Rates and Premium

As my colleague highlighted in our last edition of Plane Talking, conditions have been improving for GA buyers and as 2021 concluded an 'as before' rating offering from the leader was generally an accepted starting point for negotiations. This trend has continued into 2022, and with increased capacity available, this has led to a reduction in the vertical differentials, and has actually yielded rate reductions for those client renewals with subscription markets on their risk. In the opening quarter of 2022, we have seen an uptick in underwriter scrutiny around risk specifics, but positively, underwriters have tended to use this client information to find a way to make it fit their pricing models in order to either participate or offer an increased share, rather than to find a reason to not write the risk.

One or two risks are now seeing reductions although this position is far from the 'norm' at present. As with all previous insurance cycles, I think we can expect to see more markets offering competitive quotes to take over leads rather than sitting back waiting for an offer, which may not come, due to previous appetite discussions with the client's broker. Holding out for higher terms may have been the best strategy for an underwriter in 2020/2021, but going forward this approach will leave markets with lower premium income, which in itself could lead to them trying to buy their way onto risks in the last quarter of 2022.

Notwithstanding the above, we must touch on the unfortunate situation in Ukraine and the subsequent sanctions against Russia, which have the potential to become a significant market loss event. This situation has brought an element of uncertainty to the outlook and rating trajectory, but it is too early to discuss outcomes and any claims may involve years of litigation. Although we expect conditions to remain stable with insurers taking a measured response, that could change without notice if the market sees significant claims coming in on the airline portfolio.

Capacity & Losses

Always intrinsically linked, continued good loss experience in the market will of course lead to existing players wanting more of the pie and new players eyeing the crumbs and hoping to upgrade to a full slice. What we have yet to see is where the market will go if reductions become the norm. It could well be that the flexibility of the class underwriter is curtailed by the omnipotent actuaries, who have ultimate say on where the business needs to head, but if the call comes out to achieve premium income targets rather than maintain a no reduction policy, the downward trend in rates could take on the same snowball effect we have seen in previous cycles. The question then will be how long will it take the market to react, because more of my years have been spent sliding down the cycle than trying to climb back up it.

Future outlook

- We expect conditions to remain stable in the short-term with insurers taking a measured response
- The Russia/Ukraine situation has brought uncertainty around the longer-term trending
- Substantial claims have the potential to impact future market conditions across the entire aviation class, and so the GA sector could experience a knock-on effect in terms of pricing
- Individual loss records and policy specifics of each operator will remain a major driving factor in pricing
- Variation in pricing levels between risks in different geographies and operational sub-sets will also remain.

WOULD YOU LIKE TO TALK? ›

BARRY MARLER

Partner, Gallagher Aerospace
Barry_Marler@ajgaerospace.com

04. IN FOCUS: AEROSPACE INFRASTRUCTURE

AUTHOR: CLAIRE VINCENT, SENIOR PARTNER, GALLAGHER AEROSPACE

In our last edition, we highlighted that the Aerospace Infrastructure sector seemed to be stabilising, albeit we knew that there were still pandemic related headwinds that we would have to navigate in 2022. As things stand today, this stabilisation continues, however, we must now acknowledge there will be additional headwinds and challenges for 2022 presented from the current Russia/Ukraine situation.



Current trends

There was a lot of renewal activity in this sector in the final quarter of 2021 and at 1 January 2022, at which point we certainly saw a relaxation of insurers resolve to achieve significant premium increases. There was however, a clear drive amongst insurers to maintain and where possible, increase income levels, but with slightly differing approaches on how to achieve this. One approach was to continue to push for premium increases and use the industry recovery as the reasoning for this. However, the estimates for 2022 and 2021 actual exposures in terms of day to day activities were still down on 2019 levels, so the argument from insurers that the 'growth' for 2022 should form part of the pricing, was a difficult pill for clients to swallow. This was particularly tough, following significant premium increases charged during the pandemic where clients had very little or no regular business activity.

During the challenged years of 2018-2020, we saw the majority of insurers scale back on their individual risk participations in this class, some deploying less than half of their maximum lines. This meant that for loss active or highly exposed risks there wasn't an abundance of capacity available, which in turn enabled premium levels to increase in the way they did. The message from insurers was purely focussed on profitability on each risk individually, and also the portfolio as a whole. Whilst profitability remains their key driver, that desire to maintain premium income is now leading insurers to offer increased participations, which in turn is creating additional capacity and competition. Our clients will be delighted to hear this and the effect it is having on limiting premium increases to a much lower level than we have seen over the last 2 to 3 years.

After that busy 1 January date, there has been far less renewal activity in this sector, with the 1 April the next busy renewal period. Whilst many of the discussions around those renewals are coming to a conclusion as we write this article, the signs certainly remain positive in terms of premium levels reaching a more static position, albeit with each risk very much still being rated on its own merit. Whilst top line premium income is starting to impact insurers underwriting again, profitability is still the key driver.

Capacity

In the second half of 2021, we saw the start of a small number of insurers looking to trade pricing against share of risk to cover budget shortfalls and as already mentioned here we see this continuing, at least in the short-term. We have not seen any new entrants to or withdrawals from the sector in 2022, so the number of insurers has stayed consistent for the last 2 years or so. Additional capacity is therefore only coming from increased shares as incumbents look to maintain and or grow income. There is still less capacity available for the risks with more complex exposures or challenging loss records but for the small to medium sized businesses providing services to the aviation industry there is now competition amongst insurers to not only deploy their full capacity but also to seek out lead positions and as such offer alternative solutions.

Losses

We are pleased to report that we are still not aware of any large losses reported on the 2020 and 2021 years meaning that insurers look to have had a couple of years to re-balance their books. Insurers' concerns remain around attritional losses across the sector, be it the trips and falls at airports, the knocks and bumps on the ramp or the seemingly minor damage caused to aircraft/engines whilst being serviced or maintained. What we have seen in the last 5 years is that it is now very easy for the cost of these so called attritional losses to exceed USD 1 million.

Aerospace Infrastructure is one of the broadest sectors of the aviation market both in terms of the number and types of risks covered. Total global premium income for the sector is estimated in the region of USD1.2 billion in 2021 with thousands of policies being issued annually. These policies range from low-level airside liability policies to the complex policies required by the major OEM's and MRO's, Airports and other Service Providers. Given the large number of risks placed in this sector, the vast majority of insureds are therefore purchasing Aviation Liability insurance whereby a USD 1 million loss could easily erode their annual premium ten times over. The adequacy of premium income is therefore at the forefront of insurer's minds, especially as the aviation industry recovers and activity levels increase.

Future outlook

- The short-term outlook remains positive with the market continuing to stabilize.
- The Russia/Ukraine situation has however brought uncertainty around the longer-term future trending.
- Risk appetite continues to grow but this could be short-lived.
- Just one significant loss in the sector could easily tip the balance and drive premiums upwards again.

WOULD YOU LIKE TO TALK? >

CLAIRE VINCENT

Senior Partner, Gallagher Aerospace

+44 (0) 7734 662769 | Claire_Vincent@ajgaerospace.com



05. IN FOCUS: SPACE

AUTHOR: PETER ELSON, CEO, GALLAGHER AEROSPACE

As we highlighted in the last edition of Plane Talking, the market continues to trade well with sufficient overall capacity and underwriters keen to deploy their lines for attractive risks. Ascot has arrived as a notable new entrant, while Nexus has withdrawn from the sector and several other markets have marginally increased their involvement for 2022.

As we look forward, the market pricing appears to be relatively stable to downward, depending on risk profile. “Blue Chip” launch risks remain highly sought after. In orbit placements with moderate sums insured and without significant technical concerns are experiencing the benefits of competition between insurers, especially those packaging multiple satellites.

2022 is on track to see a significant number of risks offered to insurers with elements of new-generation technology. In particular, new launchers such as Ariane 6, Vulcan and New Glenn are expected to come to market alongside software defined satellites from Airbus, Boeing and Thales. Although we note that new technology will require underwriters to ensure they have a full understanding of the hardware, Gallagher is confident that the space insurance market will be able to offer competitive products and pricing for these risks.

Following the imposition of sanctions by the EU, US and UK on Russian entities in response to the current conflict in Ukraine, several consequences are emerging for the space insurance industry. Russian launch services have been immediately affected – including Soyuz launches from French Guiana – with wide-ranging restrictions impacting financing, financial products, insurance and banking systems such as SWIFT. At the same time, recent events have highlighted the risk of confiscation and war perils.

Although the West has recently scaled back utilisation of Russian technology, we note that many commercial satellite manufacturers continue to use Russian components within their spacecraft. As such, we may see some significant manufacturing delays if these parts need to be re-sourced from alternative suppliers. Further supply chain issues such as transportation of satellites and launch vehicles, which has long been the domain of Russian transport companies, will also impair the space industry and its insurers.

The New Space sector continued to expand during 2021 with in excess of 1,700 smallsats launched, predominantly to build out the Starlink and OneWeb telecommunications constellations. A plethora of other Smallsat business ventures continues to pursue their business models, targeting the creation of new markets and revenue streams. Their success or failure will ultimately shape the longer-term smallsat sector.

To accommodate the increase in Smallsat demand, small launch vehicles are under development to compete with the larger ride-share missions currently available. 2022 is expected to see maiden launches of a number of such launchers. Apart from the obvious technical challenges, this new launch market could be held back by licencing, regulation and insurance requirements from multiple governments. Simply applying the same rules that exist for heavy-lift missions could significantly constrain if not stall these enterprises entirely.

According to Euroconsult, global satellite communications capacity is expected to increase more than five-fold to over 20 Tbps (Terabits per second) this year, depending on the pipeline of High Throughput Satellites coming on-line as predicted. In parallel, mega-constellations such as Starlink and OneWeb, are looking to land and scale their commercial operations. Demand for spacecraft services of all types is at an all-time high but, as with any dynamic business sector, there will be winners and losers.

2022 is forecast to be a pivotal year in the evolution and expansion of the Space sector. Gallagher Aerospace is able to provide comprehensive support for clients through its highly experienced team. We are investing further in people and technology in 2022, in what is proving to be an exceptionally exciting period of expansion and structural change for the space industry.

WOULD YOU LIKE TO TALK? ›

PETER ELSON

Chief Executive Officer (CEO), Gallagher Aerospace

+44 (0)204 511 4588 | Peter_Elson@ajgaerospace.com



06. GALLAGHER UPDATE

Gallagher expands its Aerospace team

We are pleased to announce the following new appointments to our global Aerospace practice in Q1 2022:

Gallagher Aerospace

- **Edward Williams** has joined as an Account Executive based in Seattle, USA
- **Felicia Backhouse** has joined as an Account Manager based in London
- **Guy Robson** has joined as an Account Manager based in London
- **Nicola Fitzpatrick** has joined as a Claims Technician based in London
- **Sasha Coote** has joined as a Claims Technician based in London
- **Stephanie Adkins** has joined as an Account Manager based in Atlanta, USA

Hayward Aviation (Gallagher's specialist GA operation)

- **Benjamin Christensen** has joined as an Account Executive based in London
- **Cameron MacAskill** has joined as an Account Executive based in London
- **George Davey** has joined as a Technical Services Technician based in London
- **Isabella Saggese-Finan** has joined as an Account Technician based in London

Indian operations rebranded to Gallagher

Our India-based business, Edelweiss Gallagher has now rebranded as Gallagher, completing the integration of the firm into our global business. Headquartered in Mumbai, with branches in Dehli, Kolkata and Bangalore, the firm offers general insurance solutions to our clients in India across a wide range of specialisms.

For further information visit our [website](#).

Gallagher launches new business in the Middle East

Gallagher has launched a new business hub in the Dubai International Finance Centre (DIFC) to support our clients across the Middle East and Africa (MEA) with their specialty and facultative reinsurance solutions.

Gallagher already has a significant client base in MEA and the creation of a specialty offering locally enables us to further expand and maximise the growth opportunities available in the region. Although still growing, a team has now been established with in-depth knowledge of specialty and facultative reinsurance across multiple sectors including natural resources, property, financial Institutions, special risks, aerospace, marine, cyber, and construction.

For further information visit our [website](#).

07. MARKET PERSONNEL NEWS IN Q1

Apollo Syndicate

Martin Jackson has joined as Head of Aviation for Syndicate 1969. He was previously Head of Aviation & Space at HDI Global Specialty

AXA XL

Thisiani Matsumura-Martins has been promoted to the new Global Chief Underwriting Officer (CUO) of Aerospace, based in São Paulo, Brazil. Additionally, **Tom Callahan** has been promoted to Global Head of Underwriting Management and CUO of Aviation, based in New York. **Adrian Ernst Rath** has also joined as a Senior Claims Specialist Aviation, based in Zürich, Switzerland.

Chubb

Simon Abbott has joined as Product Head of Aviation. He was previously Underwriting Director at Global Aerospace.

Convex

Mark Connellan has started a new position as Trainee Underwriter, Aerospace.

Everest Re

Paul Trueman has resigned from his position as Underwriting Manager at Global Aerospace to join. His new position/title is not yet known.

Global Aerospace

Rachel Priester has joined as SVP, US Head of Claims. **Mathuza Suntharalingam**, Aviation Claims Adjuster, and **Lindsay Burrows**, Underwriting Assistant, have also joined based in Toronto, USA. Additionally in London, **Louise Brown** has joined as a Claims Adjuster, **Jamie Foster** and **Rory McKeown** as Technical Assistants, **Tommie Shorey** as an Underwriting Analyst and **Victor Novoa** as a Data Analyst.

HFW

Giles Kavanagh, Global Head of Aerospace has been elected as HFW's new Senior Partner.

Inigo

David Langran has resigned from his position as an aviation war underwriter at Atrium to join. His new position is not yet known.

IQUW

Murray Walker has joined IQUW to run its General Aviation (GA) book. He was previously the international product lead for general aviation at AIG.

Tokio Marine Kiln

Lisa Leahy has joined from Faraday where she previously held the position of Head of Aviation.

USAIG

Sarah Restle has been promoted to Underwriter and **Deborah Rine** and **Andrea Vanderpool** have joined as Underwriting Assistants. All three joiners are based in Toledo, USA. Additionally, **Derek Steinle** has joined as VP-Airline UW Division - Assistant Manager with **Joseph Daly** as VP-Products UW Division - Division Manager. Both are based in New York.

Source: Market knowledge and publicly available information.



BUSINESS CONTACTS

Global CEO, Aerospace

PETER ELSON

CEO, Gallagher Aerospace
+44 (0)204 511 4588 | Peter_Elson@ajgaerospace.com

USA

STEVE LLOYD

CEO, Aerospace USA – Gallagher
+1 312 315 1944 | Steve_Lloyd@ajg.com

UK & Europe

NIGEL WEYMAN

Global Executive, Gallagher Aerospace
+44 (0)204 511 4583 | Nigel_Weyman@ajgaerospace.com

WILLIAM SMITH

Global Executive, Gallagher Aerospace
+44 (0)204 511 4620 | William_Smith@ajgaerospace.com

Canada

GRANT S. ROBINSON

Managing Director – Gallagher
+1 403 298 4314 | Grant_S_Robinson@ajg.com

Latin America

EDUARDO DUERI

Managing Director, Aerospace LATAM – Gallagher
+44 (0)7827 937 386 | Eduardo_Dueri@ajgaerospace.com

Asia Pacific

ADAM SULLIVAN

Managing Director, Aerospace Asia Pacific – Gallagher
+65 6411 9394 | Adam_Sullivan@ajg.com

Australia, New Zealand and Pacific

JOANNE GREEN

Divisional Manager, Aerospace Australia, NZ and Pacific
+61 (07) 3002 2293 / Ext: 72293 | Joanne.Green@ajg.com.au

Middle East & Africa

PAUL WARING

Senior Partner, Gallagher Aerospace
+44 (0)204 511 4591 | Paul_Waring@ajgaerospace.com



ajg.com/uk | [gallagher-uk](https://www.linkedin.com/company/gallagher-uk)

The information provided is offered as insurance industry guidance and provided as an overview of current market risks and available coverages and is intended for discussion purposes only. This publication is not intended to offer legal advice or client-specific risk management advice. Any description of insurance coverages is not meant to interpret specific coverages that your company may already have in place or that may be generally available. General insurance descriptions provided do not include complete insurance policy definitions, terms, and/or conditions, and should not be relied on for coverage interpretation. Actual insurance policies must always be consulted for full coverage details and analysis.

Insurance brokerage and related services to be provided by a subsidiary or affiliate of the Arthur J. Gallagher & Co. global group of companies.

Gallagher is a trading name of Arthur J. Gallagher (UK) Limited, which is authorised and regulated by the Financial Conduct Authority. Registered Office: The Walbrook Building, 25 Walbrook, London EC4N 8AW. Registered in England and Wales. Company Number: 1193013. www.ajg.com/uk

Gallagher is a trading name of Nordic Försäkring & Riskhantering AB ("Nordic"). Nordic is authorised by the Swedish Financial Supervisory Authority, and incorporated in Sweden under company number 556418-5014 with registered address at Mölndalsvägen 22, 412 63 Göteborg, Sweden. Nordic is also deemed authorised and regulated by the UK Financial Conduct Authority under the Temporary Permissions Regime. UK branch registered in England and Wales under branch number BR021003, with registered address at The Walbrook Building, 25 Walbrook, London EC4N 8AW.

FP483-2022 EXP:31.03.22

© 2022 Arthur J. Gallagher & Co.



Gallagher

Insurance | Risk Management | Consulting