

AVIATION

General trends

Although the start of 2022 was marked by a slowing of the market hardening, we are seeing a return to a cautious approach on the part of insurers and uncertainty in underwriting strategy projections, particularly in the wake of the geopolitical situation in Ukraine/Russia.

Already heavily impacted by the consequences of the B737 Max disaster and the Covid-19 crisis, the aviation market is suffering the effects of the war in Ukraine and the sanctions/counter-sanctions measures adopted by the West and Russia. In March 2022, Russia allowed domestic airlines to take possession of and register leased aircraft, i.e. those owned by foreign aircraft lessors. In fact, the grounding of this fleet in Russia, whose total value would represent between \$10 and \$15 billion, would trigger claims under the coverage taken out by the lessors and the occurrence of a particularly severe loss.

Market capacity

Risk selectivity and in-depth analysis of the claims experience remain determining factors in underwriting appetite. The first half of 2022 revealed a certain recovery in risk appetite in traditional segments, particularly Product Liability (Aerospace) and General Aviation for European risks and risks where no losses have occurred.

Overall, there is still overcapacity in the market despite some withdrawals, particularly in the War Risks market due to the Ukraine/Russia crisis. The traditional insurers are maintaining their shares, but few new players are appearing in a particularly uncertain environment.

Developments in coverage

The refocusing of aviation policies around traditional, market-standard coverage continues. Insurers are reluctant or particularly vigilant when writing new specific extensions if they are not already included in existing programs.

Pricing trends

The end of 2021 and the beginning of 2022 saw a net slowing down in pricing increases, a trend that is currently being confirmed with a market that has almost stabilized. It should be noted that we are seeing a return to a more dynamic market within the General Aviation segment with slightly lower rates (for large fleets and those where no claims have been made).

The projection for the second half of 2022 remains very uncertain in terms of reinsurance treaty renewals and the long-term effects of the crisis in Ukraine could already be having an impact on year-end renewal conditions.

RUSSIA/UKRAINE: IMPACT ON THE AVIATION MARKET

Almost 500 leased aircraft were in Russia when the Russians invaded Ukraine on February 24, 2022. Under the Russian decree of March 14, the Russian government allowed its airlines to re-register the aircraft belonging to Western lessors. By April 2022, only 41 aircraft out of the 500-strong fleet had been removed from Russia (source: Cirium).

Breakdown of the leasing market in Russia (April 2022)



Source : IBA

On March 24, Lloyds warned that the Russian invasion would have a “major” impact on the market. In fact, the grounding of this fleet in Russia would trigger claims under the lessors’ contingent policies representing the total value of these aircraft, i.e. between \$10 and \$15 billion.

Despite the lengthy claims procedures to be expected, the largest reinsurers in the market are already anticipating the financial fallout of this crisis. The reinsurer Scor is said to have set aside €85 million to cover compensation “for the conflict in Ukraine”, the same may be true for Munich Re (€100 million) and Swiss Re (US\$283 million). Even if the market is preparing to bear the consequences of the war, it is still too early to determine its precise impact on the next round of renewals at the end of the year.

DIOT-SIACI'S EXPERTISE

What is our operational technical expertise?

The Aviation department operates across all areas of expertise in the sector: aeronautical industry and subcontracting, ground handling, general aviation, airports, and airlines. The experience, technical skills and responsiveness of the dedicated aeronautical teams means we can provide specialized assistance and support including advice, placement and monitoring in the management of risks in France or abroad.

How do we assist and support you?

Given the specific nature of the sector, we provide threefold assistance and support: technical expertise, market knowledge and responsiveness. These three elements are essential to meet the needs of our clients and be as close as possible to their business and their risks in order to offer solutions that are constantly adjusted in line with their development and the evolution of their exposures.

What can we offer you?

A specialized team and technical support on a day-to-day basis.

Our presence in the market provides us with access to the entire global market, in complete independence.

What makes us different?

- Our organizational flexibility: an experienced, adaptable and responsive team
- Our knowledge of the insurance market
- Specific, personalized assistance and support to clients
- Placement tools for the aeronautical market (lineslips)
- **A vision of the broker's business that is specialized and adapted to current developments in the Aviation market: a threefold approach "experience, technical skills, and responsiveness" .**



80+
clients



€10 million premiums
under management



Christophe Lot
Aviation Director