




International Aviation (Re-)Insurance Market Update

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2019 AIA Conference, Asheville NC - May 5, 2019

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Speaker Info



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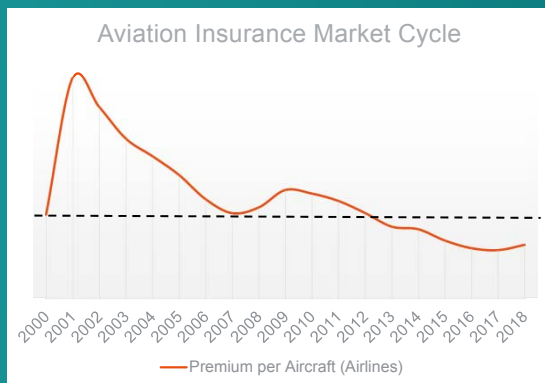
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(Source: PartnerRe)

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Agenda



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- Introduction
- Aviation Industry
- Aviation Insurance Market
- Aviation Reinsurance Market
- Summary
- Q&A / Discussion

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Aviation Industry

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- Worldwide Fleet data
- Value/Unit Schematic
- Safety and Accident Statistics
- Trends


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Aviation Industry

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Worldwide Fleet data - Segments

Airlines

- 27,237 aircraft, 4.5bn passengers
- 4-5% growth
- max \$350m hull / \$2.25bn liability

Products

- ca. 100 main clients
- 40,000 new aircraft deliveries over next 20 years
- max \$3bn in the aggregate

General Aviation


- 446,000 aircrafts, 24.8m flight hours
- flat, economy driven – older pilots, drones
- Hull values vary from \$50k to \$85m / Liability limits in line with size of aircraft up to \$1bn

(Source: PartnerRe / Flightglobal / GAMA)

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Aviation Industry

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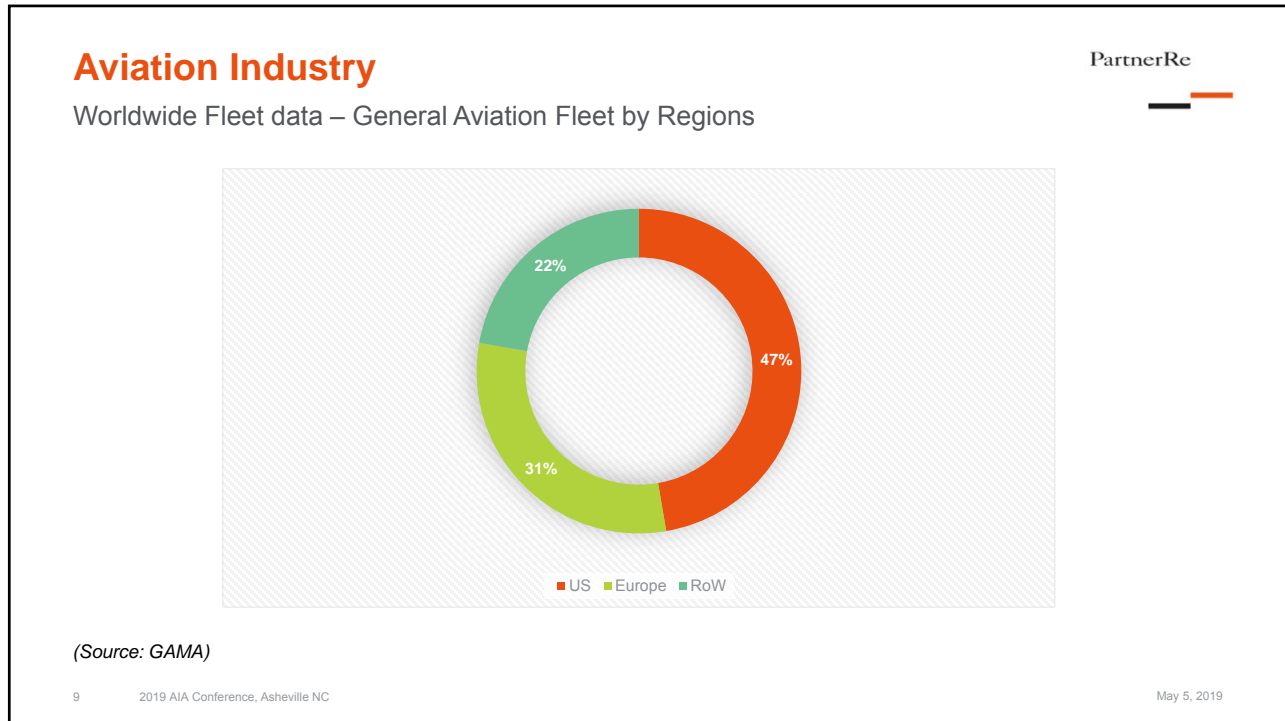
Worldwide Fleet data – Commercial Fleet by Regions

| Region | Percentage |
|---------------|------------|
| Asia-Pacific | 30% |
| North America | 29% |
| Europe | 24% |
| Latin America | 7% |
| Middle East | 5% |
| Africa | 5% |

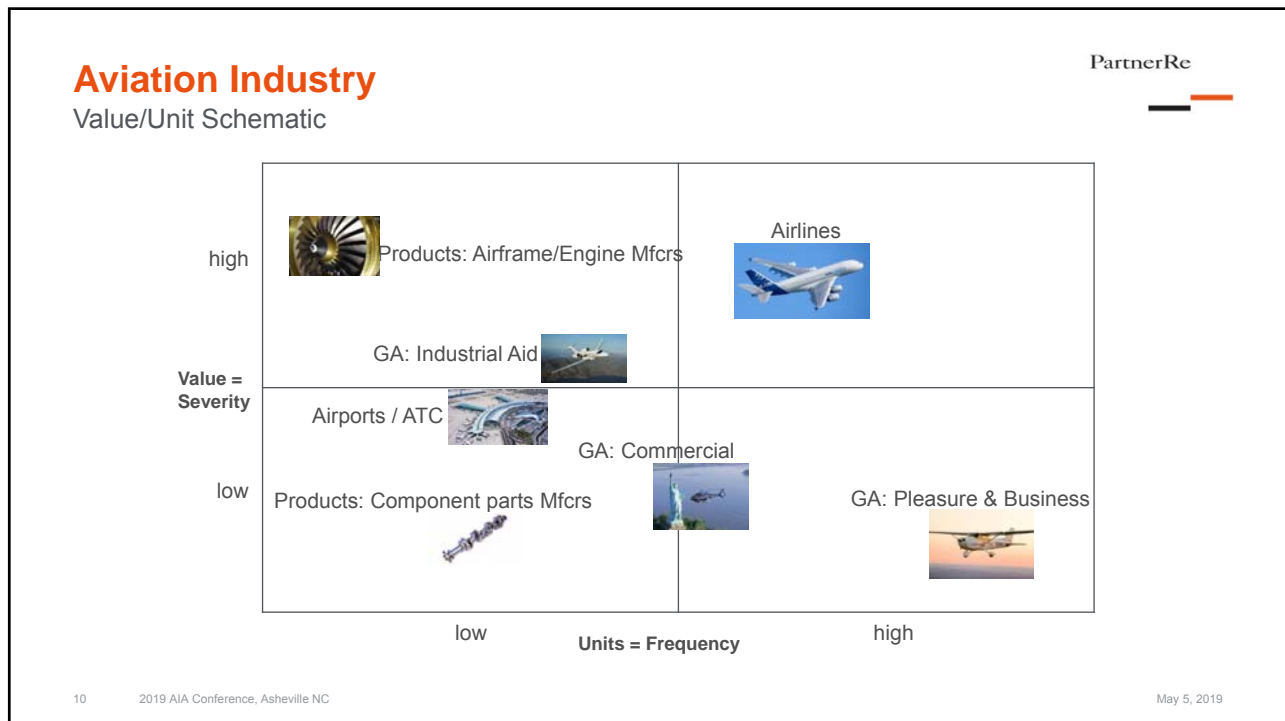
(Source: Flightglobal)

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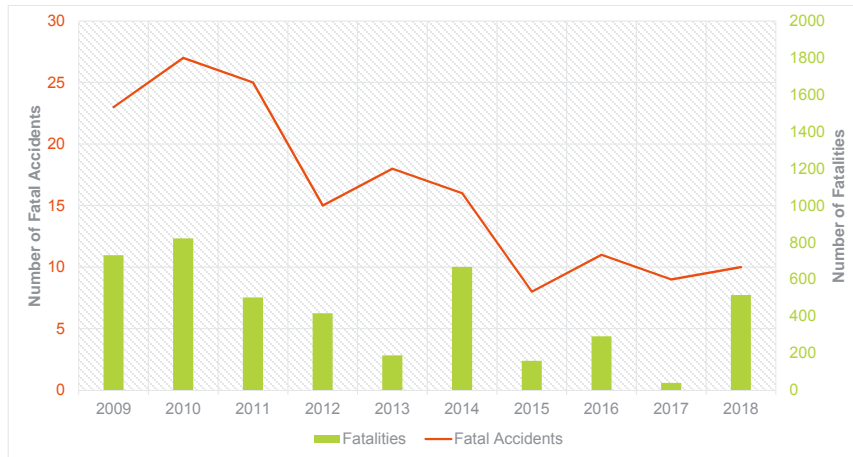


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Aviation Industry

Safety and Accident statistics - Airlines Fatal Accidents

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(Source: Flightglobal)

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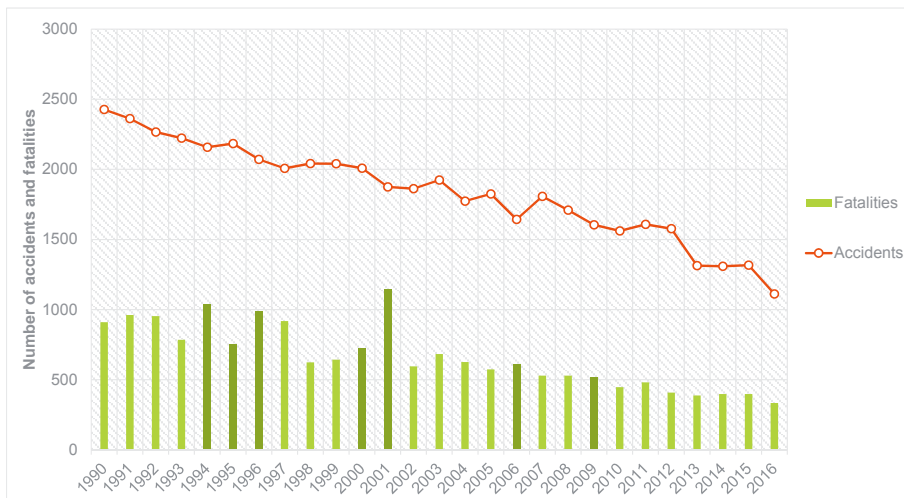
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Aviation Industry

Safety and Accident statistics – US Fatal Accidents

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(Source: NTSB / *columns highlighted include Airline fatalities)

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Aviation Industry

Trends




(Source: PartnerRe / Flightglobal / KPMG, Aviation Industry Leaders Report 2019)

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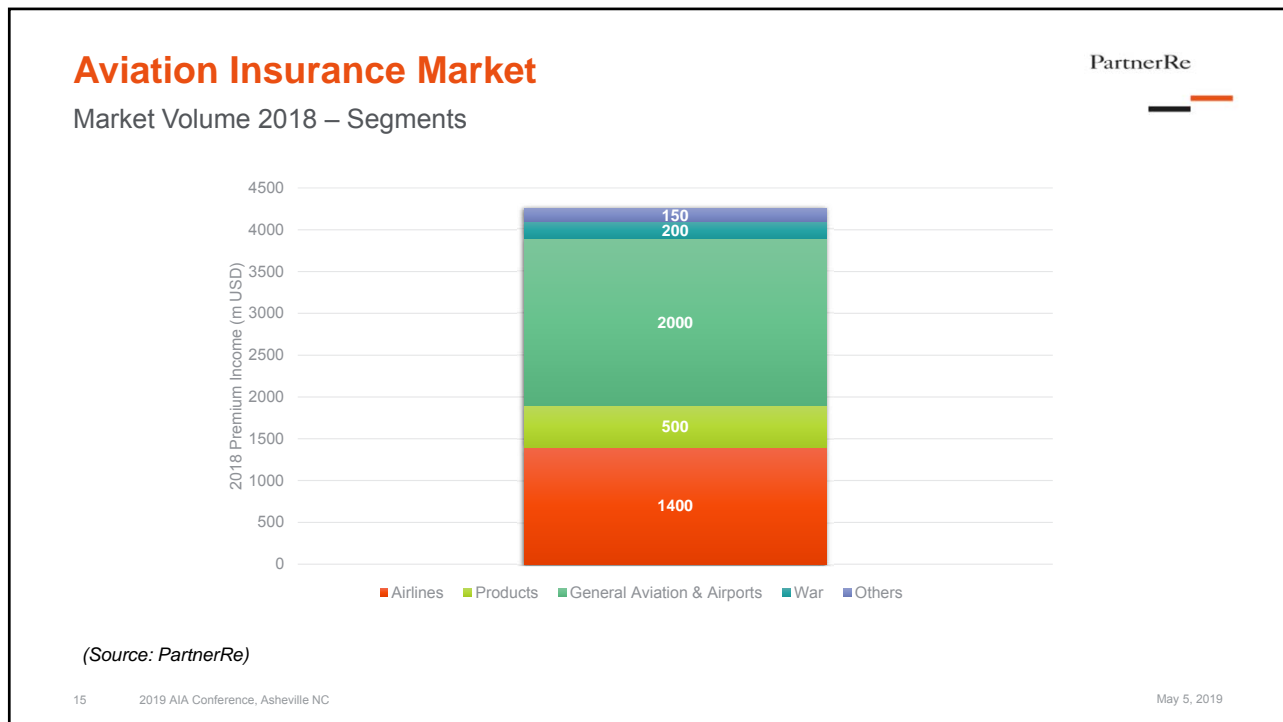
Aviation Insurance Market



- ▶ Market Volume
- ▶ Key Players
- ▶ Main Fac R/I Markets
- ▶ Brokers
- ▶ Present Condition and Challenges

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Aviation Insurance Market

Key Players & Recent M&A Activity

| | |
|---------------------|---|
| Airlines / Products | • AIG, AGCS, AXA XL, Global, Starr, LRA, Lloyd's, USAIG, ORA & others |
| GA US | • AIG, AGCS, AXA XL, Global, Starr, USAIG, ORA, WBA, HCC & others |
| GA Non-US | • AIG, AGCS, AXA XL, Global, Starr, Lloyd's, HDI & others |
| Fac R/I | • Hannover Re, Munich Re, Partner Re, Swiss Re & all direct markets |

AIG acquires Validus / Talbot Synd for \$5.6bn – January 2018
 Hiscox quits Aviation Hull & Liability business – February 2018
 AXA buys XL Group for \$15bn – March 2018
 MS Amlin pulls out of GA (incl. Ortac, Beta Aviation and AAU) - April 2018
 Berkley exits the Aviation line of business – June 2018
 Aspen ceases underwriting Aviation insurance – August 2018
 Brit withdraws from Aviation – October 2018
 elseco acquires Airlines & Products portfolio from StarStone – January 2019

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Aviation Insurance Market

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Brokers

- First Tier** • AON, JLT, Marsh, Willis
- Second Tier** • AJ Gallagher, Boston Marks, GBJ, Lockton, UIB & others

AJ Gallagher to acquire JLT Aerospace operations from Marsh – March 2019

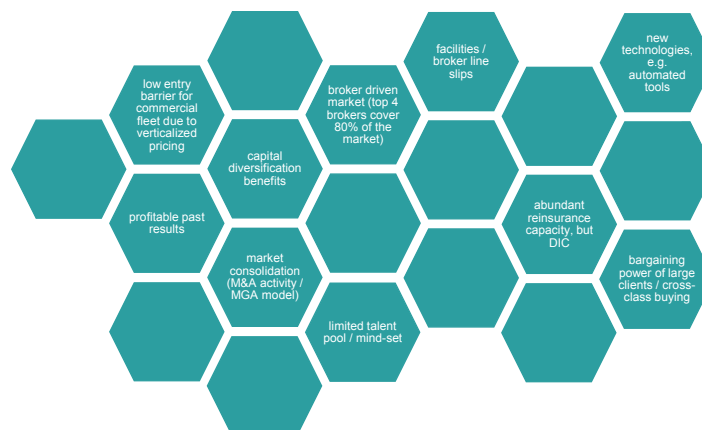
AssuredPartners acquires three Aerospace agencies – January 2019

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Aviation Insurance Market

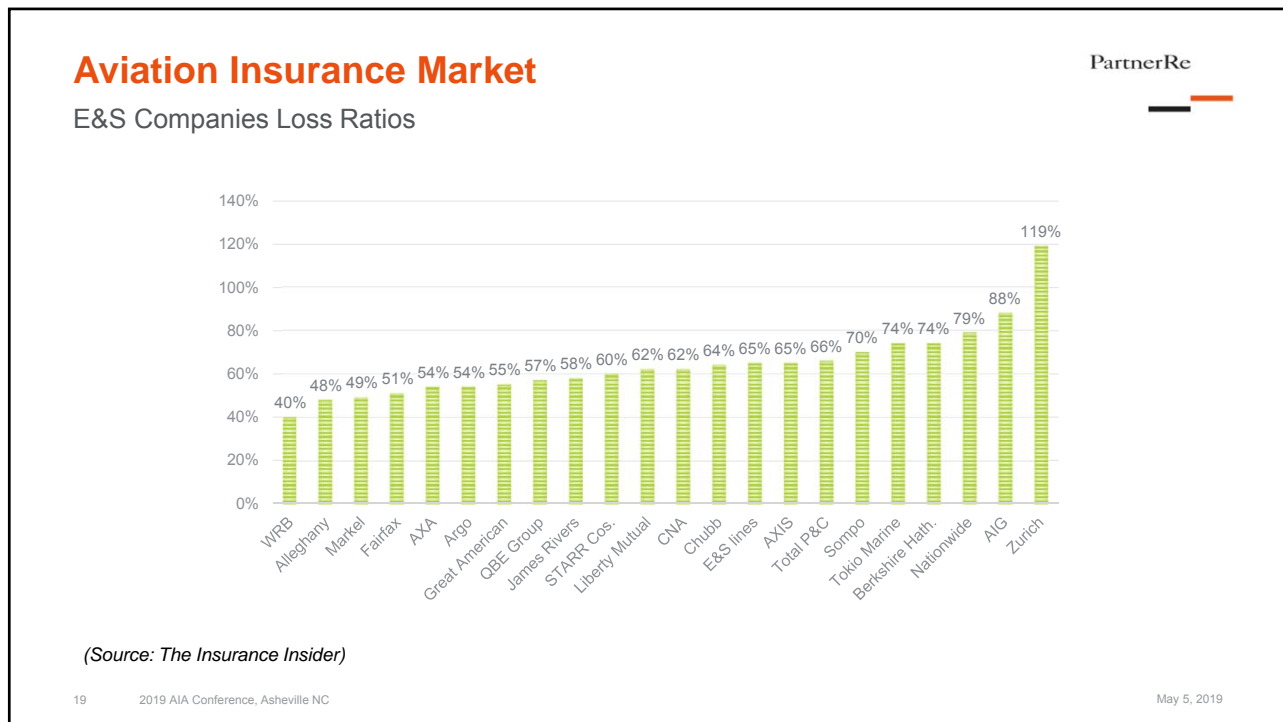
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Present Condition and Challenges

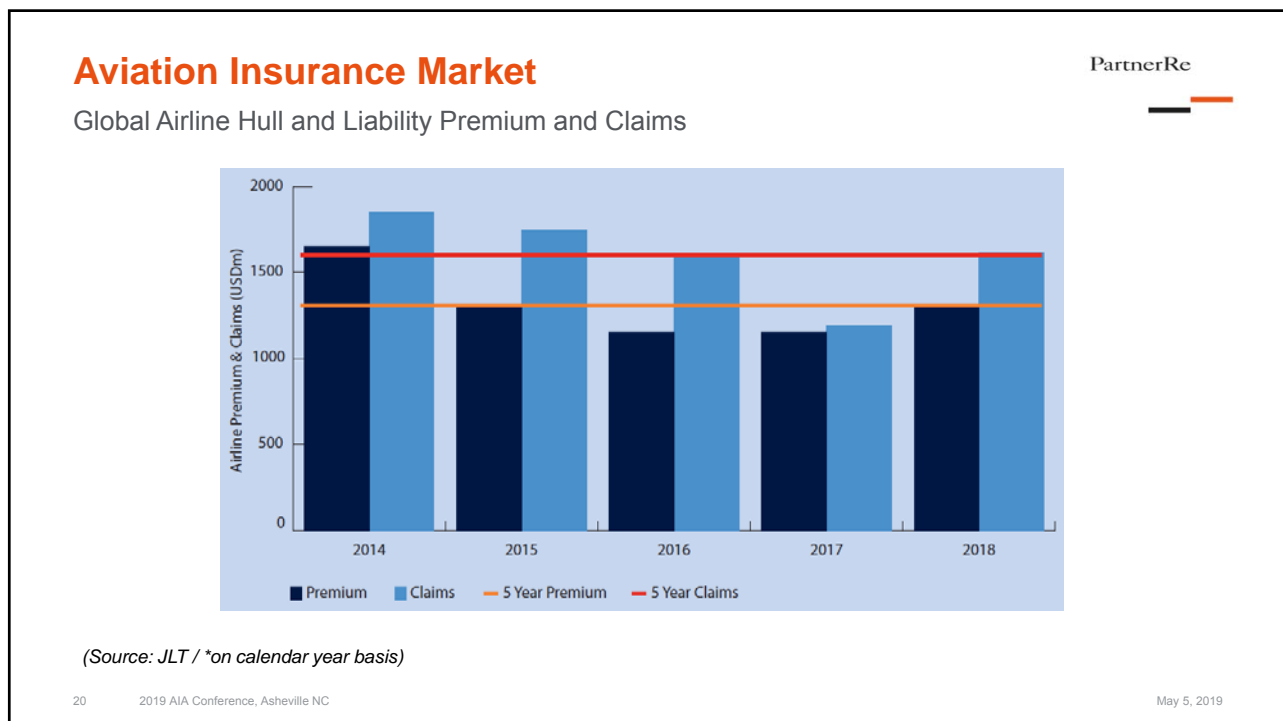


plenty of insurance capacity →
 unsustainable rating level / expanded coverages / increased limits & values / excessive acquisition costs

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Aviation Reinsurance Market




- ▶ Market Volume
- ▶ Reinsurance vs. Insurance
- ▶ Key Players
- ▶ Brokers
- ▶ Present Condition and Challenges

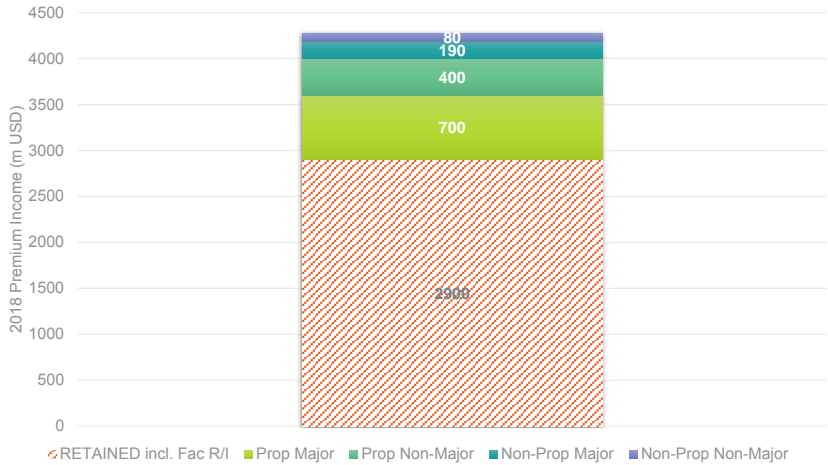
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Aviation Reinsurance Market

Market Volume 2018 – Segments





| Segment | 2018 Premium Income (m USD) |
|------------------------|-----------------------------|
| RETAINED incl. Fac R/I | 2900 |
| Prop Major | 700 |
| Prop Non-Major | 400 |
| Non-Prop Major | 190 |
| Non-Prop Non-Major | 80 |

(Source: PartnerRe)

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Aviation Reinsurance Market

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Key Players & Recent M&A Activity

Prop

- Hannover Re, Munich Re, Partner Re, Swiss Re, SCOR, XL Re, Everest Re, Sirius, Sompo International, TransRe & others

Non-Prop

- Hannover Re, Munich Re, Partner Re, Swiss Re, Lloyd's, SCOR, XL Re, Everest Re, Sirius, Sompo International & others

AXIS acquires Novae for \$600m – October 2017

AIG acquires Validus for \$5.6bn – January 2018

AXA buys XL Group for \$15bn – March 2018

RenRe acquires Tokio MillenniumRe for \$1.5bn – October 2018

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Aviation Reinsurance Market

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Brokers

First Tier

- Aon, Guy Carpenter, Willis Re

Second Tier

- KM Dastur, Lockton, RFIB, UIB & others

Marsh, Guy Carpenter's parent company, buys JLT for USD 5.7bn – September 2018

JLT Re to be fully integrated into Guy Carpenter


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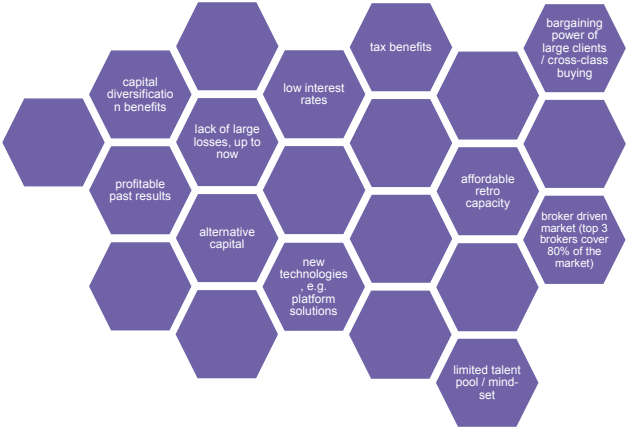
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Aviation Reinsurance Market

Present Condition and Challenges





capital diversification benefits

profitable past results

alternative capital

new technologies, e.g. platform solutions

limited talent pool / mind-set

lack of large losses, up to now

low interest rates

tax benefits

affordable retro capacity

broker driven market (top 3 brokers cover 80% of the market)

bargaining power of large clients / cross-class buying


plenty of reinsurance capacity →
prop: significant ceding commissions / non-prop: competitive rating level

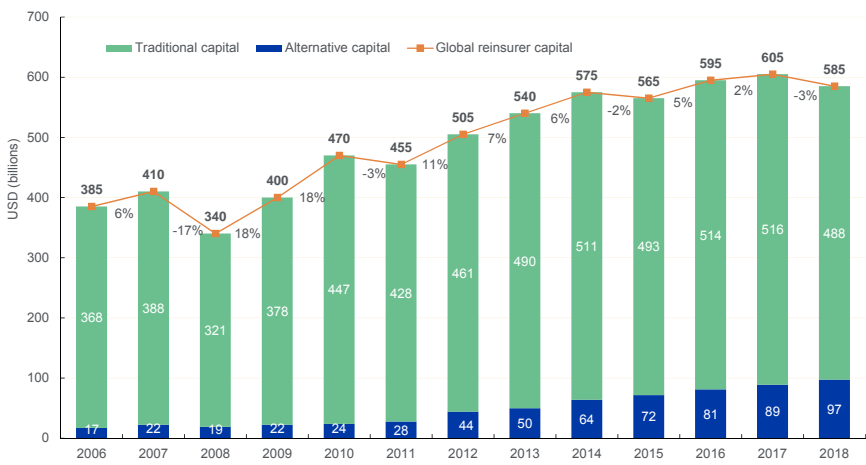
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Aviation Reinsurance Market

Global Reinsurance Capital



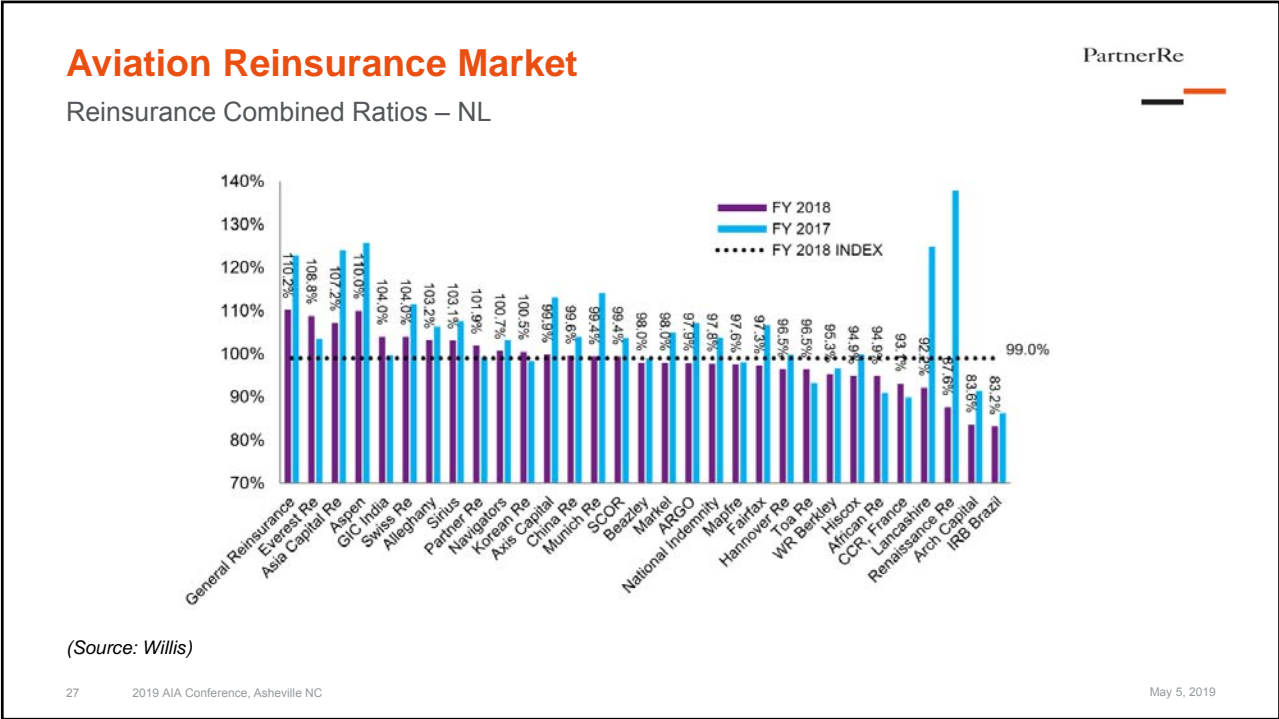


| Year | Traditional capital (USD billions) | Alternative capital (USD billions) | Global reinsurer capital (USD billions) | % Change |
|------|------------------------------------|------------------------------------|---|----------|
| 2006 | 368 | 17 | 385 | |
| 2007 | 388 | 22 | 410 | 6% |
| 2008 | 321 | 19 | 340 | -17% |
| 2009 | 378 | 22 | 400 | 18% |
| 2010 | 447 | 24 | 470 | 18% |
| 2011 | 428 | 28 | 455 | -3% |
| 2012 | 461 | 44 | 505 | 11% |
| 2013 | 490 | 50 | 540 | 7% |
| 2014 | 511 | 64 | 575 | 6% |
| 2015 | 493 | 72 | 565 | -2% |
| 2016 | 514 | 81 | 595 | 5% |
| 2017 | 516 | 89 | 605 | 2% |
| 2018 | 488 | 97 | 585 | -3% |

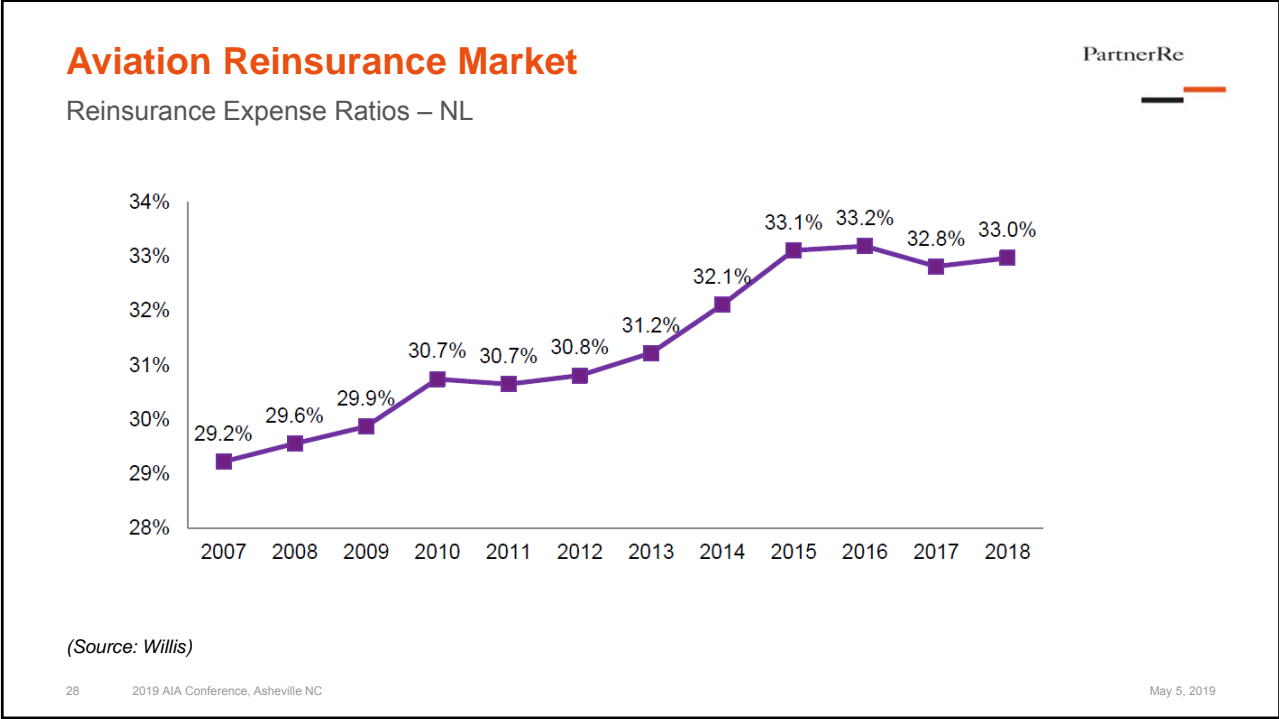
(Source: AON)

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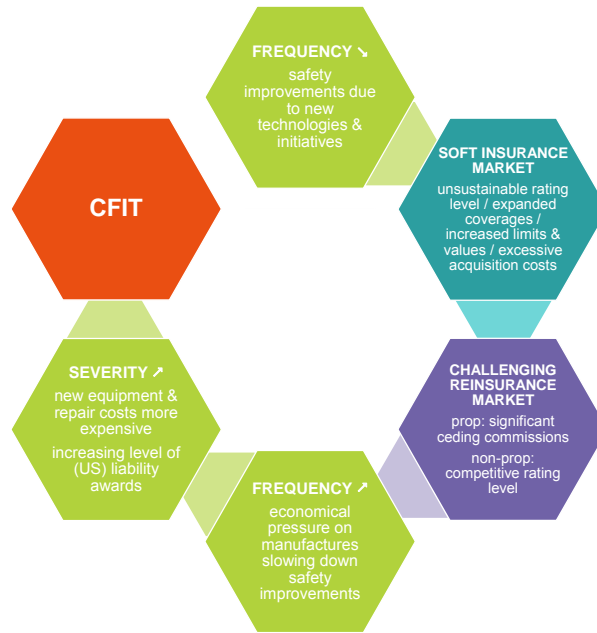
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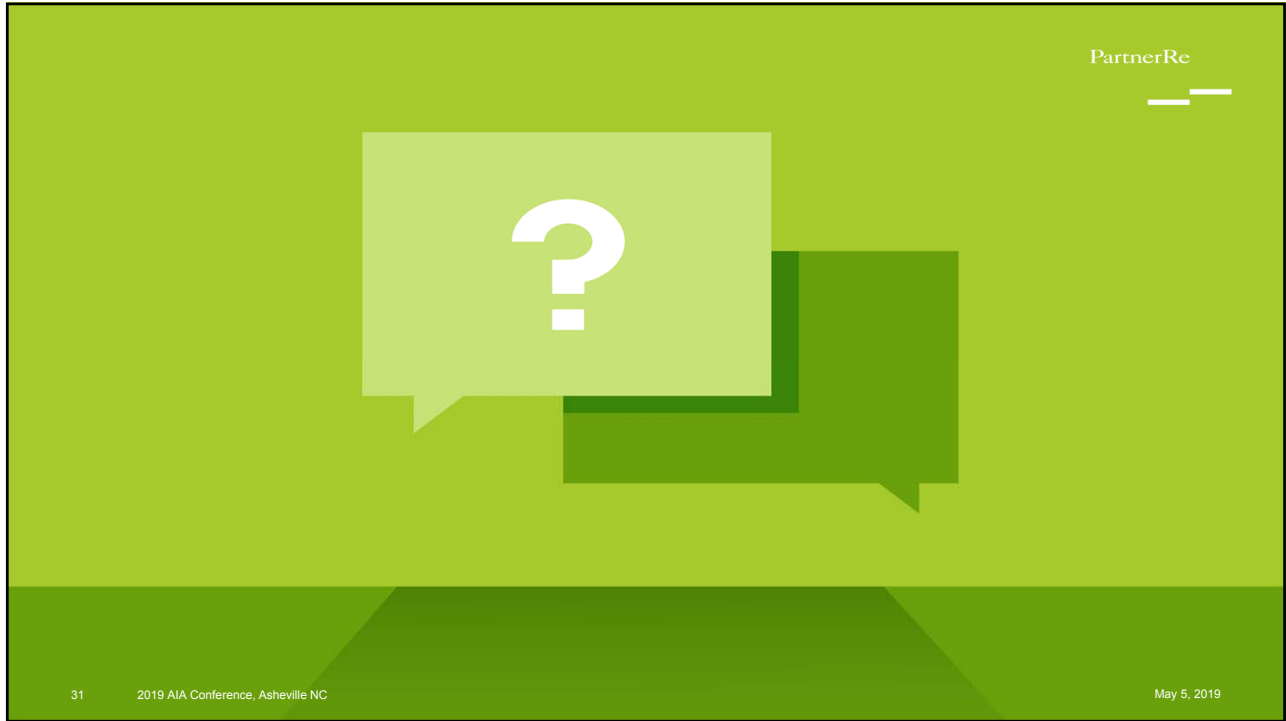


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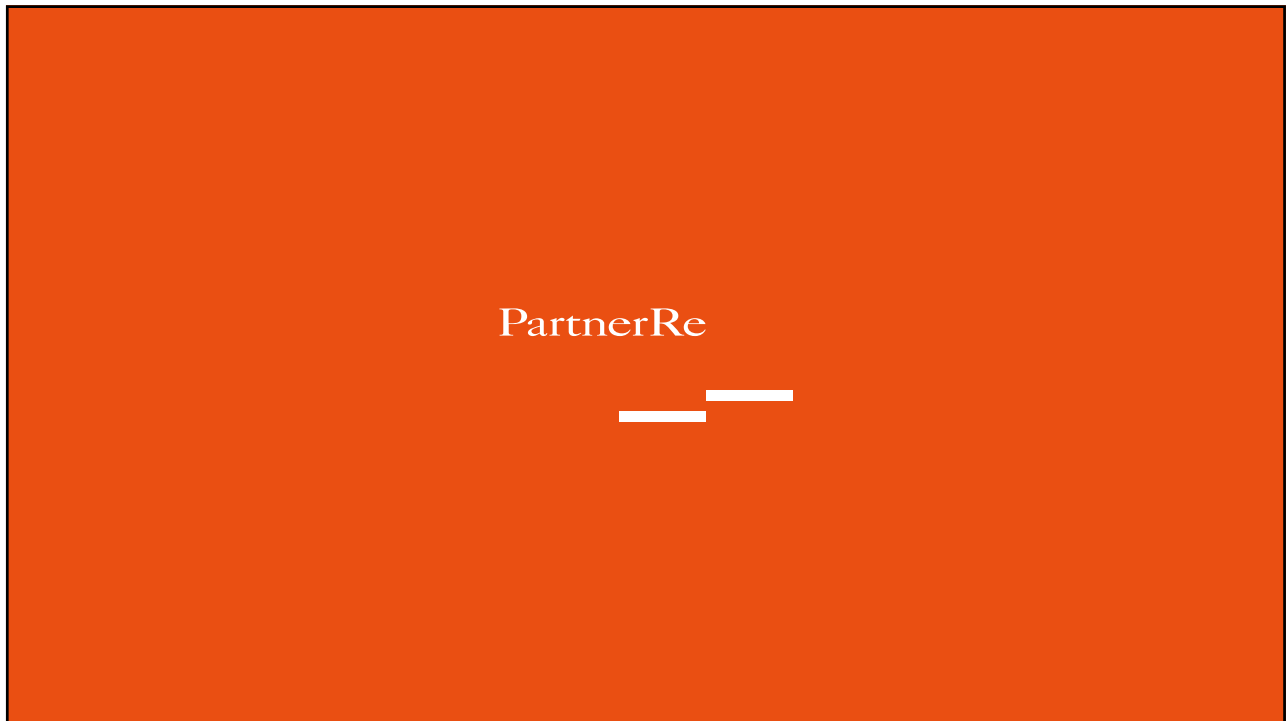


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