

Piiq Perspective **Action Drives Opportunity**

Volume 8, January 2021

At the first anniversary of our Piiq journey and looking forward into 2021 and beyond, we continue to reflect on the industry operating environment and how the aviation insurance market is likely to respond to client requirements.

So many aviation clients remain challenged as demand for air travel remains suppressed amidst renewed travel restrictions in many geographies, and we believe that it is incumbent on us as trusted advisors to partner with aviation entities to guide them through these uncharted waters.

In order to do this to the best of our ability, we need to assess what we know in order to define a viable path forward for all stakeholders.

MARKET DYNAMICS

Recent Market Performance

8 of the last 10 years have been loss making for insurers as claims have exceeded premiums. Consequently Aviation is under very close management scrutiny as rating acceleration lags the overall market



01

Major Loss Activity

In addition to the well reported Boeing 737 max reserves there continues to be wider deterioration on the aerospace portfolio. This is partially offset by a reduction in airline attritional claims as a consequence of lower levels of activity

02



04

Coverage / Capacity Considerations

Coverage is being closely interrogated and although recent market withdrawals have been offset by new entrants, capacity deployment is typically coming under more scrutiny

03

The Reinsurance Market

The Reinsurance market has felt the impact of these major losses and will likely drive pricing sentiment in the direct market as they impose meaningful premium increases for loss active programs (c.+50% to +100%)

THE CLIENT IMPERATIVE



Clients and their brokers must be thoughtful about how they bring renewals to market to help insurers offer their participation at the best possible terms. Due to the quantum of loss the aviation insurance market is responding to and the notion that 'the premiums of the many pay for the losses of the few', there is real danger that clients will be subject to 'tariff underwriting' and not be treated on an individual basis. Consequently, there is likely to be significant benefit for those clients that shift the focus of renewal discussions and reset their engagement with the market.

Piiq strongly promotes that aviation entities defend themselves from 'runaway premiums' by assessing whether their current level of risk transfer is fit for purpose and ask the question whether they are transferring the appropriate quantum of risk into the market?

The answer to this question will help to formulate thoughts on what an optimal program looks like moving forward in an environment where insurance is purchased on a loss occurring basis and exposure is expected to be suppressed for the medium term.

Overall, anything that a client can do to alter the risk profile being taken to market will serve to mitigate the impact of simply being 'indexed' against expiry as per 'normal' market behavior. Inactivity on the part of clients will make them beholden to market forces.

PIIQ – DELIVERING YOUR OPPORTUNITY

With more challenging market dynamics potentially ahead and with a plethora of options to consider, it is vital that clients partner with brokers that offer a differentiated service, have demonstrated the deep expertise required to mitigate market sentiment and who are motivated to break away from the path of least resistance and legacy broker style bureaucracy.

“With careful planning and thoughtful execution, we believe that opportunities exist to reposition insurance programmes, within the context of current trading conditions and to ensure that our clients outperform broader market trends.”

**Marcel Chad,
President – Piiq Risk Partners**

Piiq have the right combination of agility, intellectual property and proven collective expertise to lead clients through this challenging environment. Piiq can deploy a critical mass of more senior stakeholders on behalf of aviation clients and have already demonstrated our ability to redefine programs for some of the most complex aviation entities in the market, helping derive better value and disrupting the prevailing market sentiment.

As Marcel Chad, President of Piiq Risk Partners has to say, *“With careful planning and thoughtful execution, we believe that opportunities exist to reposition insurance programmes, within the context of current trading conditions and to ensure that our clients*

outperform broader market trends. This is often aligned to a strategic review of the risk transfer process, timing, breadth of coverages required and programme design. As we have illuminated in the market

dynamics section of this Piiq Perspective, conditions already exist to stimulate the formation of a 'perfect storm' which might introduce a significantly harder market and bring about serious challenges for clients especially as we move towards the mid to second part of the year. Whether my predictions are in fact correct will only be viewed with the benefit of hindsight, however I cannot underscore enough the importance of effective Risk Management and the imperative for clients to fully evaluate their available strategies and the options available to them should market conditions dictate."

THE PIIQ TEAM

As we grow our talented team we look forward to unlocking opportunities and partnering with existing and new clients in 2021 and beyond.

Stanislava Diyanova December 2020	Joanne Tooke December 2020	Mark Williamson January 2021	Fred Kelly January 2021	Rachael Costello January 2021
Mark Knight December 2020	John Radley December 2020	Andy Pollen August 2020	Graeme Chapman August 2020	Marcus Grainger August 2020
Anne-Laure Rosenwald June 2020	Mark Esdaile June 2020	Ian George July 2020	Mark Costin July 2020	Abigail Wilkins August 2020
Hao Lo May 2020	Neil Giffos May 2020	Luke Elliott May 2020	Mark Hue Williams April 2020	Bill Parnell March 2020
Paul Traies February 2020	Marie Thomas February 2020		Dario Mulas Debois March 2020	Sarah Porges March 2020
Henry Bexson February 2020	Sarah Reidy February 2020	Oyin Heath February 2020	Danny Gunning January 2020	Kerrigan Read January 2020
Jennifer Russell October 2019	Brian Carlson November 2019	Grace Ambursley November 2019	Oliver Bradburne December 2019	Philip Smaje January 2020
Michael Raminski October 2019	Kevin Wagner September 2019	Debra Fanjoy September 2019	Tim Adams September 2019	Nicole McCormack August 2019
Marcel Chad June 2019	Stacie Pillans Krajcir July 2019	Daniel Hearn July 2019	Bruce Fine August 2019	Kostya Zolotusky August 2019

The information contained herein is based on sources we believe reliable and should be understood to be general risk management and insurance information only. The information is not intended to be taken as advice with respect to any individual situation and cannot be relied upon as such.

Piiq Risk Partners Limited is registered in England (No. 856973) at 288 Bishopsgate, London EC2M 4QP and authorised and regulated by the Financial Conduct Authority (FCA Register No. 313041).

Piiq Risk Partners Inc at 222 West Adams St. Suite 1900, Chicago, IL 60606

382-0121