

## Interview with Terry Wood on aviation insurance's trends

**Terry Wood, AXIS Insurance Global Head of Aviation, points out his view on the main aviation insurance trends, such as the increasing rates.**

**How long have you been involved in Aviation and what broad changes have you seen?**

**Terry Wood:** I started as a junior underwriter in the late 1980s, finding myself in a dynamic environment exposed to many different classes of business. In my time, I've underwritten Aviation, Cargo, Specie, War, Terrorism, Space and Contingency, but Aviation has always been the area I've been closest to. There have been significant changes in the Aviation market over that period. My own journey took me from London to Bermuda – where AXIS was started post-9/11 in order to provide specialty insurance and reinsurance coverage at a time when many companies faced challenges getting that sort of coverage – and back to London. And now, I'm fortunate to work with, and learn from, our colleagues at Aviabel.

Being an Aviation Underwriter has been a very rewarding experience but there have been some challenging periods. In the aftermath of the tragic 9/11 events the insurance world changed; there was huge uncertainty and risk was in many ways redefined. Aviation rates accelerated to previously unseen and, ultimately, unsustainable levels.

The insurance markets have always responded to challenge and the insurance cycle moves up and down over time. But the biggest change I've seen has been in safety. Improvements due to technology, training and industry safety culture have been incredible. Over the last 15 years, though, there has been a consistent downward pressure on rate. A handful of Aviation losses over that period have briefly moved the market, but the trend has been clear.

Aviation coverage for clients is typically broad, with rates relatively low. Liability coverage is usually unlimited sideways, which enables passengers to travel, freight to move and businesses to operate. At Aviabel, we view our role in this market as providing a specialty aviation insurance and reinsurance product with real value.

**Rates in some aviation insurance segments are going up, after 15 years of downward pressure. In which segments exactly are the rates climbing?**

**Terry Wood:** Broadly speaking, underwriting results have been negative in past years and there is a view that Aviation markets, as a whole, need a price adjustment. General Aviation certainly has some challenges; Rotor wing, for example, has been particularly difficult.

Airline pricing in many cases struggles to cover normal levels of attrition, leaving little premium for significant losses, and this is true for major and smaller airlines, even if trends between various tiers can be different.

Products also have their own characteristics, with loss-affected and clean accounts being treated very differently.

Ultimately, each client's circumstances are different. At Aviabel, we pride ourselves on knowing our clients, their specific business needs and on our lead capability.

**What are the main reasons for these increasing rates?**

**Terry Wood:** Adverse Aviation results are the main driver. There will always be other influences, the wind will blow, the earth will shake, and the reinsurance markets will be more or less expensive. These factors do impact the balance sheets of insurance companies, but as aviation insurers, we must control our own destiny.

Whilst we must strive for efficiency, in order to provide innovative solutions and improve service to our clients at every opportunity, the business needs to be sustainable on its own merits. Current burn costs and loss activity within the aviation insurance industry are not sustainable and we are already seeing the impact of this in the market.

**Do you think that this rise could presage a long term turn in rates?**

**Terry Wood:** There needs to be a change in long-term rates, and I hope for the sake of both clients and underwriters that the market can develop a more consistent long-term approach to pricing. By working with our partners, Aviabel will continue to improve the services and products that our clients need.

We all need a healthy and innovative market to drive long-term profitability.

