

Swiss Re aviation insurance study highlights need for concentration on quality of capacity

1 Oct 2002 CET

Swiss Re's new study on the state of the aviation insurance industry concludes that severe aviation losses in recent years and an extended period of rate inadequacy, combined with currently negative capital markets is creating a potentially precarious financial situation for many aviation insurers. The report states that adequate premium levels must be achieved and that insurance buyers must focus on purchasing only the highest security cover if stability is to return to the market.

Stormy skies ahead?

Swiss Re's new report on the condition of the aviation insurance industry 'Flight to quality - Financial security in the aviation insurance market', reflects on the role of insurance as a key instrument of the aviation industry's financial safety culture and the serious problems that the market currently faces.

Clear evidence from other market cycles shows a definite correlation between a period of inadequate premiums coupled with high losses and subsequent insolvencies of insurance companies. In recent years the aviation insurance industry has seen growing claims, inadequate pricing, fluctuating capacity volumes and a rapidly changing cast of market players. These factors combined with the current negative capital markets have all affected long-term market stability. Some specialist insurers and reinsurers have already been forced into insolvency, while others are fighting for survival.

The way forward

The report concludes that insurance buyers need to understand the long-term benefits of stable insurance cover provided at a price that is economically viable for insurers. While insurance buyers may gain short-term benefits from cheaper insurance rates, they risk forcing the market into imbalance and ultimately their claims going unpaid. Particularly in an era of heightened awareness of the need for good corporate governance, insurance buyers and intermediaries need to exercise increased due diligence when selecting risk partners.

The report offers two remedies to the problem, firstly that premium levels must now reflect the increasing severity of claims and secondly that insurance buyers should seek only the greatest insurance security, where they know that claims will be paid.

Andreas F. Peter, Swiss Re's Global Head of Aviation and Space comments, "Price has for too long been the overriding factor in purchasing decisions - now it's time for insureds to think more seriously about the quality of the insurance cover they are buying."

Click here to read the [aviation publication](#) in full or email publications@swissre.com to receive a hard copy.

Notes to editors

Swiss Re is one of the world's leading reinsurers with over 70 offices in more than 30 countries. For 2001, Swiss Re reported a net loss of CHF 165 million, largely due to the 11 September event. Gross premiums in 2001 were CHF 28.5 billion. At the end of June 2002, Swiss Re's shareholders' equity amounted to CHF 18.3 billion and the total balance sheet stood at CHF 168 billion. Swiss Re is rated "AAA" by Standard & Poor's, "Aaa" by Moody's and "A++" by A.M. Best.

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