

Swiss Re provides “Sleeping Beauties” cover for insurers of grounded airline fleets

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Swiss Re is structuring reinsurance solutions to fill gaps in the treaties of aviation insurers by providing temporary protection against natural catastrophe risk concentrations resulting from the grounding of airline fleets during Covid-19, *The Insurer* can reveal.



The coverage – dubbed “Sleeping Beauties” – is being offered in a number of flexible tailored options including additional limit at the top of excess of loss programmes, and drop down or sub layers that allow insurers to buy down retentions for nat cat events.

Swiss Re is understood to have already written one deal for an aviation insurer where the reinsurer took a leading share on the placement with the remainder placed in the open market.

A slow pick-up in travel means that the number of grounded passenger jets is falling from the peak earlier this year when there were hardly any commercial flights operating.

But it is thought that today around 60 percent of the global fleet is still parked up in airports and other sites around the world.

With hurricane season entering its most active phase in the next couple of months and the threat of a range of other natural catastrophes – especially hailstorms – and man-made perils, that has created a significant increase in exposure for airline insurers.

Industry sources said that as recently as last month, Delta Airlines had 630 aircraft on the ground with a value of \$16.5bn, American Airlines had around 490 parked planes valued at more than \$14.0bn, and United had over 500 aircraft grounded also at a value of over \$14.0bn.



Sleeping Beauties: how it works

- Aimed at aviation insurers with exposures from grounded fleets
- Addresses nat cat risk concentrations
- Can provide top up cover or drop down limit
- Swiss Re uses nat cat modelling and aviation data to quantify exposure
- Swiss Re will write a lead share of open market placement

Speaking to *The Insurer*, Swiss Re's co-head of special lines and global head of trade and infrastructure Greg Schiffer wouldn't comment on the exposures of individual airlines.

But he said that the new offering had been created in response to demand that emerged as the reinsurer went to clients with data that demonstrated potential gaps in reinsurance.

Swiss Re has data from flight delay insurance and a new aviation costing tool called "Goldeneye" and is able to quantify the exposure per airline and location.

It uses its extensive natural catastrophe modelling capabilities to overlay the aviation data with nat cat exposure information.

“We have been able to provide that as a service to clients to suggest where there might be gaps in reinsurance coverages and to see if there’s a need for a product that could cover that gap for concentration risk.

“That could be either a dropdown cover or at the top of the programme to make sure the aviation insurer doesn’t have a concentration risk or gap in coverage,” Schiffer explained.

Adaptable cover

The product being offered can be adapted depending on the kind of exposure.

For a hurricane scenario it is more likely that the requirement will be for a top up cover, but exposure to an outsized all-other-peril type loss such as a tornado or hailstorm would be better protected with a specific wrap cover.

“It depends on individual needs, but we anticipate the exposure [from grounded fleets] may push up the 1 in 100 or 1 in 250 and that’s where clients will need to decide what their risk appetite is and how much they want to keep net as opposed to topping up existing reinsurance,” said Schiffer.

He added that depending on the underlying exposure, additional reinsurance could look more like facultative protection to cover a primary insurer on specific concentrations with an airline at a particular location, or it could take more of a portfolio approach across multiple airlines.

“That’s where there’s flexibility in what we’re doing. We’re providing clients with the insights by airline, concentration by airline but also concentration by location for multiple airlines,” said the executive.