

## Russia: Aviation and space insurance

The Russian Association of Aviation and Space Insurers hosted its fifth international conference on aviation and space insurance in Russia in Moscow on 27 February.

20 Mar 2014 | By David Bickerton



This conference is an important event on the insurance calendar, especially as the local insurance market has developed significantly over the last two decades that Airclaims has been active in the region.

RAAKS currently comprises 31 members, including 27 Russian insurers and 4 insurance companies from Ukraine and Belarus.

The insurance cover provided by many of the companies represented is now more international, extending beyond the usual borders associated with this area of the world. Additionally, there are a number of new lines of business, especially cargo aircraft and helicopters, operating throughout Africa, the Middle East, South America and Asia.

The conference is also an important venue for the international insurance market and, as such, each year sees more and more specialists attending, including companies from Germany, Switzerland and the UK. This year over 250 attendees represented insurers, brokers, airlines, service providers and many parts of the aviation industry. So what was on the agenda?

RAAKS is very much about sharing information and developments, so the topics covered were varied, touching many segments of the insurance business. As expected, rates generated a good deal of discussion, and no doubt this will continue into the near future.

A number of presentations demonstrated that passenger safety continues to improve, with 2013 being the safest year on record - but whether this trend will be maintained remains to be seen. At the time of writing, the recent unfortunate B777 incident in Asia is still under investigation.

How claims are handled and the service provided also came into focus. This aspect of the business seems to be gathering more prominence, given the importance of providing an excellent product that meets airlines' needs in an ever more competitive market.

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The role technological development has played across aviation in all regions was also a key focus, and from a Russian perspective, this change has been significant - both in terms of the types of aircraft utilised and their monetary values.

When I first travelled to Moscow with Airclaims in 1994, most passenger aircraft operating out of the three main airports were those of a Soviet build, mainly TU134; TU154; IL62; IL86 and the IL96. Now those aircraft are in the minority, with Western aircraft dominating the passenger market. Russian and regional insurers have developed their products to accommodate this change, with ever-increasing hull values expected in the future.

My own presentation looked at some of the most significant safety trends, including the use of modern materials, crewing and systems development. Recent years in particular have seen a range of new products entering the market, with Boeing's release of the B787 and Airbus's A350 soon to follow.

These aircraft have introduced a step change in construction, with each using primarily composite material (both lighter and stronger than previously), along with advanced system controls. Quite a jump, when you think the last 80 years of aircraft building has basically relied upon aluminum alloy as its core material.

From an insurance standpoint, this new technology raises questions as to how repairs will be conducted in the event of major damage occurring, as new techniques will need to be developed - some of which may be costly to implement. There will no doubt be a steep learning curve on this subject as more aircraft enter service.

Technology is also having an impact on the expectations of flight crews. In simple terms, the role of the pilot continues to change as more systems are automated. Aviation has developed from the early days of the crew members monitoring systems for performance and potential failures to current onboard systems advising the crew when there is a concern. We've also moved on from a time where passenger flights required a five-man crew (captain, co-pilot, flight engineer, navigator and radio operator), to one where a two-man crew (pilot and co-pilot) is the norm.

So what does the future look like? There are now more unmanned aircraft in operation than at any other time in history, with the military leading the way in this respect. Whether unpiloted passenger jets are a realistic option or not in the future, the technology is certainly there - and the need for the pilot to become more of a 'systems manager' on the flight deck is growing.

There were also discussions on other issues such as maintenance and repair. Insurers made some interesting observations about the risks 'in air' compared with those 'on ground', and there was a strong emphasis on the fact that while total losses are naturally the highest profile type incidents that the industry must deal with, there are also significant risks associated with aircraft being on the ground.

It's these so-called 'attritional losses' (often considered below US\$10m) that pose a huge cost to the insurance market, and therefore dealing with these effectively - or preventing them in the first place - is an area of great interest.

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In addition to a range of discussions on the local market, we were treated to some stimulating talks from law firms, as well as observations from various industry groups including satellite operators. As always, the huge number of side-meetings that take place around the conference are of immense value, and the RAAKS event is clearly one of the significant opportunities in the year for underwriters, brokers, operators, manufacturers, lawyers and adjusters to come together to discuss and plan for the future.

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