

AUTHOR PROFILE



Paul Clark

Executive Director - McLaren's Aviation

Biography

Paul Served an engineer apprenticeship at BOAC (the forerunner of British Airways) and subsequently joined the airline in engine maintenance and overhaul before moving to long haul aircraft line and heavy maintenance gaining relevant aircraft type licences, and progressing to supervisory and management positions before leaving to join Airclaims as an Aviation Loss Surveyor in 1987. Paul has progressed through roles of Regional Director, Principal Surveyor and Group Director, and is now Executive Director. Paul has worked globally on a wide range of loss assignments for international insurance markets involving many types of aircraft and situations.

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Lead Lines - Opportunities, Challenges and People

As I walked through the halls of the recent Farnborough Air Show, and looked at the vast array of new technology on offer, I reflected on some of the current themes that face the aviation industry and in turn the aviation insurance sector. Having been given the opportunity to contribute to Lead Lines, an article around emerging themes and how we face the challenges they present seemed appropriate.

Huge growth in the Aviation Sector:

The aviation sector has grown dramatically in recent times and is set to continue to grow. Boeing for example states that in 2013 there were 20,910 jet airliners in service and estimate this will increase to 42,180 by 2033! This presents the sector with a huge challenge in terms of infrastructure with varying levels of global response to this prediction. Countries such as China have a plan given that this is where much of that predicted growth will take place. Here in the UK, there are plans such as for the expansion of London runway capacity, but politics are currently preventing implementation. Alongside the development of infrastructure, there is also the need to continue with safety oversight which must keep pace with the dynamic pace of technological development. This covers flight operations and air traffic control in particular, where developments in aircraft automation and how we use airspace to drive out human error, towards greater efficiency will continue apace. These aspects present unique safety challenges in their own right, and will require significant investment in new ways of working and monitoring of performance.

Increased use of composite materials:

The industry's drive for fuel efficiency is exemplified through the increased use of composite materials in aircraft manufacture. The Boeing 787 and the Airbus A350 are now established realities. This development will continue, and will have a direct impact on the management and cost of claims. Understanding the characteristics of these new materials along with the experience of having handled many claims to date, has been important to us, and supports the way in which we need to react as new cases occur. We have had a good deal of constructive dialogue with major manufacturers to understand their repair philosophies for composites in anticipation of further events involving these new generation materials. Let's not forget though, that as of now, most aircraft are still substantially made of metal, and that metal will feature for long into the future with developments in metal technology also coming in.

Uncertain times: We continue to live in uncertain times and the ability to react to incidents in conflict zones is an important one. Global politics has created a less safe world for aviation in terms of war risk, and our experience of this type of loss demonstrates that whilst there is capacity to insure these risks, the challenge of dealing with them is increasing. We have been heavily involved in dealing with complex losses in conflict zones in recent years, and we have managed claims in countries including Afghanistan, Libya, Southern Sudan, Somalia and Yemen to name but a few. These losses tend to be costly to handle both due to complexity, and the efforts required to get people into

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and out of places where there is a higher risk of harm. It requires well developed and constantly evolving procedures for adjusting war losses in conflict areas by markets such that when they do occur there is a readiness to use experience to create a plan and work closely as a market team to manage them. The trend is only seen as upward for these types of loss.

perceived position by the industry is that the risk of being able to penetrate a critical system such as an aircraft control system is low, but that this threat is one that will be changing and ongoing. The potential for loss is clearly present and it will no doubt continue to engage the attention of insurers as the threat changes and develops across the industry.

party losses dominating our handling experience to date. This is though a cost sensitive sector, given that values can be low, requiring innovative approaches to claims handling needs. Appetite for these risks seems to be quite high though, and such is the interest that we are regular participants at industry events, presentations and forums. A sector to watch and one which will continue to grow very quickly.

“Relationships, People, Innovation, Expertise and Service. These things are key to the future of our market. And let’s not forget the other word – Technology. It’s what our industry successfully insures and deals with every day.”

The Response: Good products and services only exist because of good people. Good people have to be developed albeit that this has to be accomplished ever more so nowadays against a background of needing to control and drive down costs, and overheads. This is a significant challenge given that we are in a service orientated people business. So, succession planning and ensuring that expertise exists to carry our unique products and services forward is a must. I know that in my experience, our business has been proud to be a leader in people development such as the training that we delivered recently in London for thirteen of our newer overseas colleagues. In recent years we have developed an extensive global platform which is key to us in providing consistent quality of service across our network. Investment in training and knowledge is a key driver in this. A number of key words emerge and they seem relevant given the descriptions of just three areas of market interest discussed here. They are Relationships, People, Innovation, Expertise and Service. These things are key to the future of our market and from my perspective are, notwithstanding the pressures that currently and will always exist, taken seriously by all. And let’s not forget the other word – Technology. It’s what our industry successfully insures and deals with every day.

Cyber Risk: The risk to aviation is currently of much interest to the insurance community, and we have been asked to speak to a number of market companies who are keen to understand its implications and to develop an understanding of the risk. It is clearly an industry problem but one which insurers must be aware of. We must accept though that this risk is not only an aircraft risk. Aviation is driven by IT, and cyber risk includes every aspect of operation whether it be ground based services, reservations, or air traffic management systems. The latest technology such as Electronic Flight Bags (EFB’s), enhanced in-flight entertainment and Wi-Fi, and air traffic control will provide hackers with potential targets. The industry is not being complacent though, and sees this as a major and ongoing threat requiring the highest priority. Industry stakeholders including operators, manufacturers, regulators and international bodies such as the International Civil Aviation Organisation (ICAO) are all working on threat reduction efforts such as through development of protection strategies which include ‘penetration testing’ of aircraft systems, with manufacturers even employing ‘hackers’ to test the resilience of aircraft systems. The

UAS: This sector is set to grow massively with new and innovative commercial applications constantly being introduced. Well known aerospace manufacturers have been producing special mission versions of the type for some time, such as for border patrol and land survey, but with the explosion in commercial usage applications, the list of those manufacturing the type has expanded significantly. Country by country, regulatory framework is in many cases struggling to keep up with development with some notable exceptions. In Australia, there is a good regulatory regime which is keeping pace with developments and Canada has introduced two new weight categories of 2 kilos and 25 kilos acknowledging the escalating commercial uses of the type. Risks are varied and include operator competence, reliability and controlled airspace infringement. Hull values range from thousands to millions and potential for both hull and third party losses are varied. Inevitably, as the UAS industry has developed, so has the requirement for specialist claim adjustment. Our experience to date has been significant with the insurance sector having developed a range of policy products to support the need with hull, and third