

# Corporate News

## **Munich Re and easyJet have developed an innovative type of flight cancellation cover**

Munich Re, in collaboration with easyJet, has designed a comprehensive product that for the first time provides cover for airline flight cancellations. The policy provides financial protection against various large shock events that lead to business interruption losses in aviation. Examples of such events include volcanic ash clouds, severe winter storms, or the grounding of the fleet on safety grounds.

The innovative product allows an airline to partially reduce its liquidity reserve. It has been developed by Munich Re's Special Enterprise Risks unit and specialists from its aviation underwriting team, working in conjunction with easyJet. The coverage plays an integral part in the airline's capital management. The pricing is competitive with other sources of funding, and allows the airline to free up cash that can be put to use in the business. The product demonstrates that insurance can be a valuable alternative to capital market instruments. Flight cancellations are valued at a "pre-agreed" fixed amount to ensure a fast and effective payout. Nobody has forgotten the business impact of the huge ash cloud from the Icelandic volcano Eyjafjallajökull in 2010, which – according to IATA estimates – led to the cancellation of more than 100,000 flights and caused airline losses exceeding US\$ 1.8bn. The cover is structured to limit the balance-sheet impact on airlines of such significant business interruption events.

Mike Hirst, Director of Treasury & Tax for easyJet, commented: "We have been very impressed with Munich Re's creativeness, professionalism and project management throughout the development of this innovative product. The product itself complements the combination of cash and Revolving Credit Facility that already supports our liquidity

buffer and diversifies further our counterparty credit risk into the insurance market and, specifically, to a very creditworthy long-term partner in Munich Re.”

Rolf Heintzeler, Head of Aviation Facultative, is pleased to have won easyJet as a new long-term client. “This deal is a real win-win for both parties: easyJet is the right partner for this kind of deal because, when it comes to safety and risk management, easyJet is top in class. As a diverse set of perils has to be covered, broad risk expertise is needed to develop such tailor-made solutions for the client.”

Claudia Hasse, Chief Underwriting Officer for Special Enterprise Risks, said: “The successful development of this innovative coverage demonstrates our competence as a partner for corporates who want to look beyond what is available in commodity insurance. There is broad scope for innovation in corporate insurance, as every industry’s business is vulnerable to interruption. We see this solution as a blueprint, and are now working towards bringing this to other industries as well”.

### **Disclaimer**

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### **Munich Re**

stands for exceptional solution-based expertise, consistent risk management, financial stability and client proximity. This is how Munich Re creates value for clients, shareholders and staff. In the financial year 2016, the Group – which combines primary insurance and reinsurance under one roof – achieved a profit of €2.6bn. It operates in all lines of insurance, with over 43,000 employees throughout the world. With premium income of around €28bn from reinsurance alone, it is one of the world’s leading reinsurers. Especially when clients require solutions for complex risks, Munich Re is a much sought-after risk carrier. Its primary insurance operations are concentrated mainly in ERGO, one of the leading insurance groups in Germany and Europe. ERGO is represented in over 30 countries worldwide and offers a comprehensive range of insurances, provision products and services. In 2016, ERGO posted premium income of €16.0bn. Munich Re’s global investments (excluding insurance-related investments)

amounting to €219bn are managed by MEAG, which also makes its competence available to private and institutional investors outside the Group.

### **easyJet**

easyJet is a low-cost European point-to-point airline. It uses its cost advantage and number one and number two network positions in strong markets to deliver low fares and operational efficiency on point-to-point routes, with its people making the difference by offering friendly service to its customers. easyJet's sustainable business model makes travel easy and affordable and drives growth and returns for shareholders. The success of its business depends on a number of key resources: easyJet has a strong capital base, with market capitalisation of circa £5 billion and a net cash position of £357 million at 30 September 2017. easyJet's credit ratings are amongst the strongest in the world for an airline – Baa1 (stable) from Moody's and BBB+ (stable) from S&P.