

Risk Transfer and Finance Strategies for Aerospace Supply-Chain Disruption

Our Purpose

Russell Group is a business intelligence company that delivers actionable insights for corporates and (re)insurers.

Actionable insights are data-driven conclusions that support strategic decision-making.

Our USP

**Long standing
relationships with
our clients**

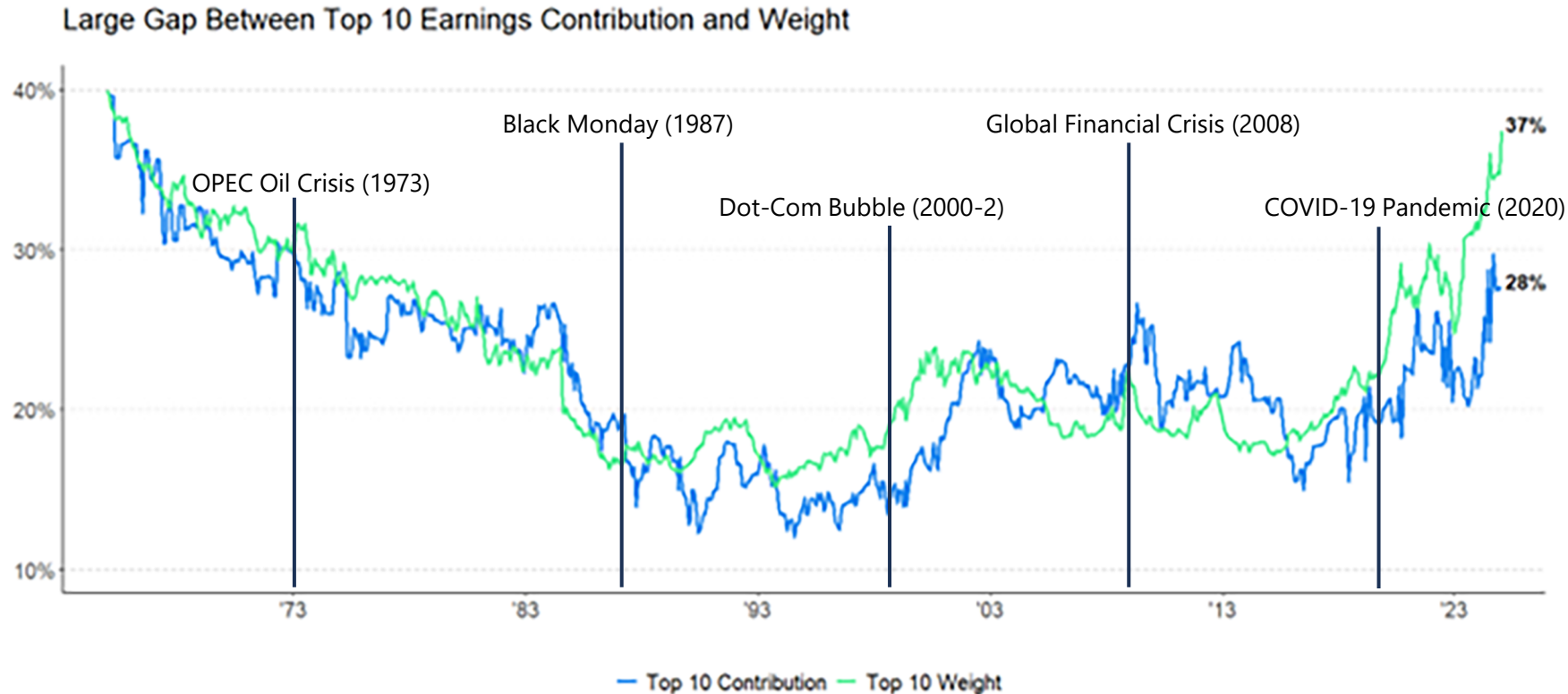
87%

value received
from our
relationship

93%

technological
competency
of our staff

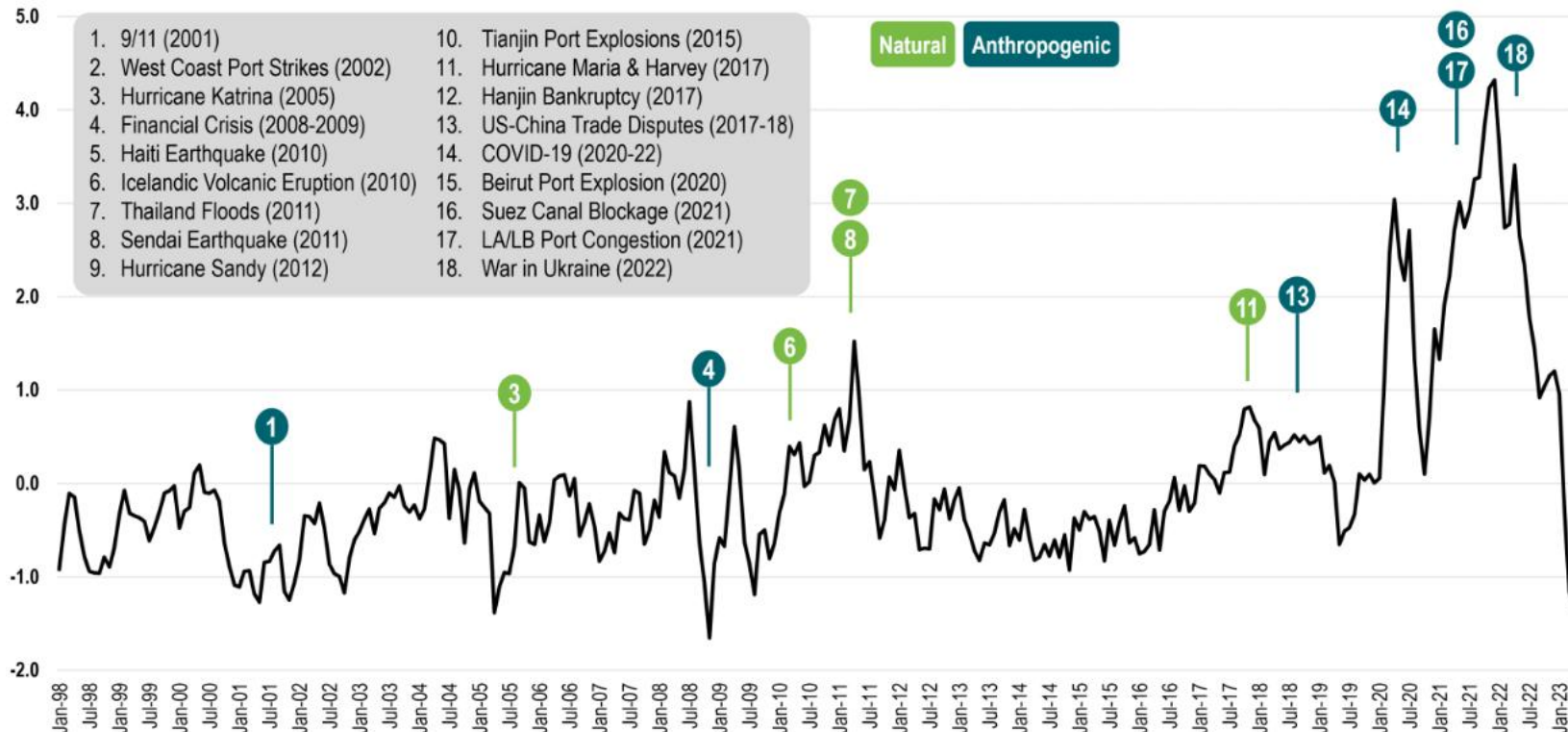
Market Cap(Weight) v Earnings(Contribution) for top 10 of 500 US Stocks



Date Range: 12/31/1964 to 12/31/2024. Represents the top 10 stocks based on market cap from the largest 500 US stocks.

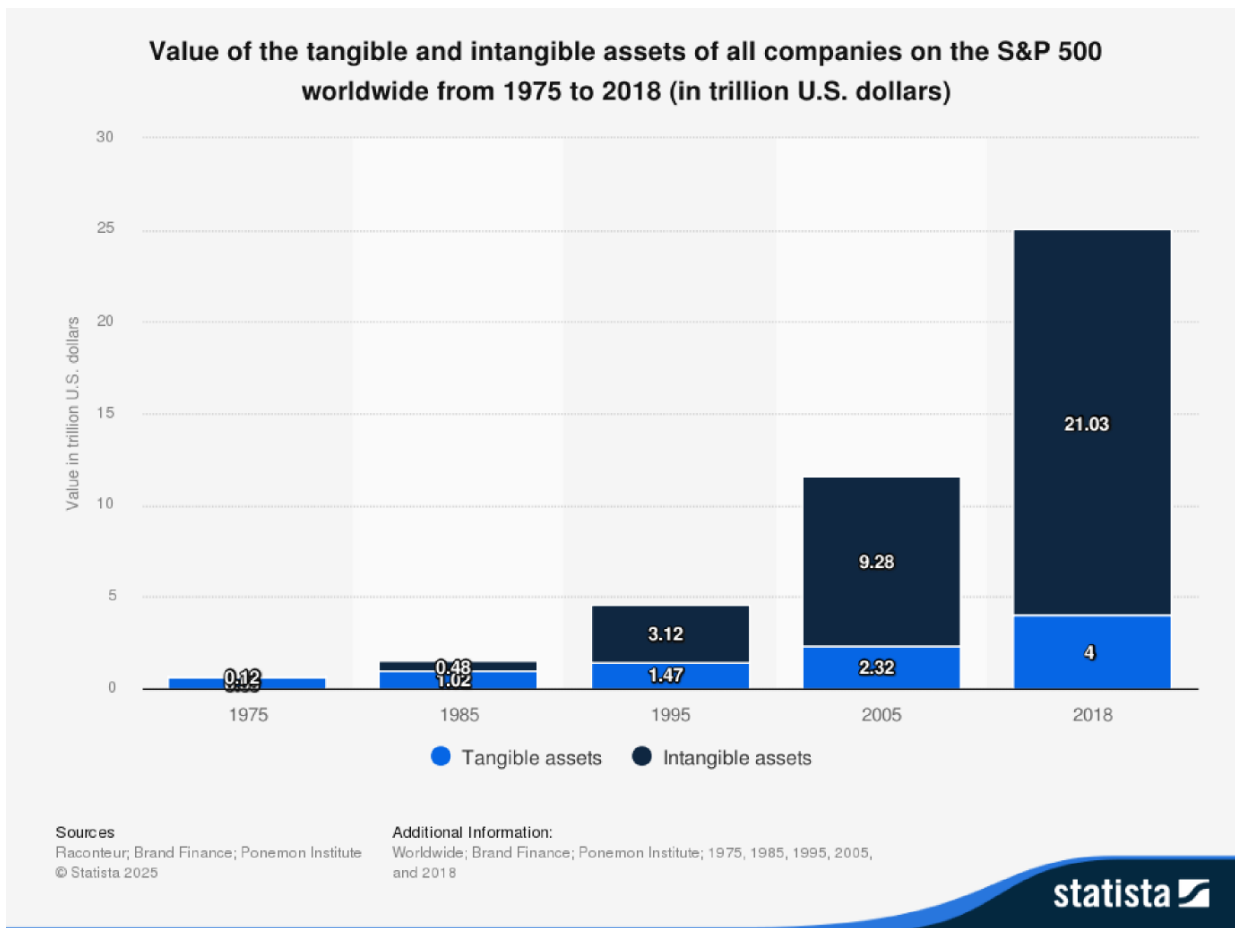
Source: Compustat. Calculation: Hartford Equity Modeling Platform. [Link](#)

Global Supply Chain Pressure Index and Major Supply Chain Disruptions



Federal Reserve Bank of New York's GSCPI and Major Supply Chain Disruptions

Market Cap (Weight) v Earnings(Contribution) for top 10 of 500 US Stocks



Aerospace Sector is Intangible by Total Value

The Aerospace sector is highly intangible at 85% total value

Energy-efficient and Rugged Materials

VR and simulation software powered by AI

Data Analytics

Cyber intelligence and security software

Proprietary avionics schematics

Proprietary Processes for Manufacturing Speciality

Automation technology and precision engineering techniques

Drone Technology

Source: "Industry Insight: Protecting Intangible Assets in Aerospace Sector", WTW. [Link](#)

Aerospace Sector will create more Intangibles

Figure 1

Digital technologies are creating opportunities for aftermarket services

81%



of aerospace and defense survey respondents indicated that they are already using or plan to use **artificial intelligence and machine learning (AI/ML) technology**

Aftermarket survey respondents

Technologies in focus for next three years

1 AI/ML

2 Generative AI

3 Extended reality

Deloitte analysis

Significant use cases

Operational flight management

Capacity management

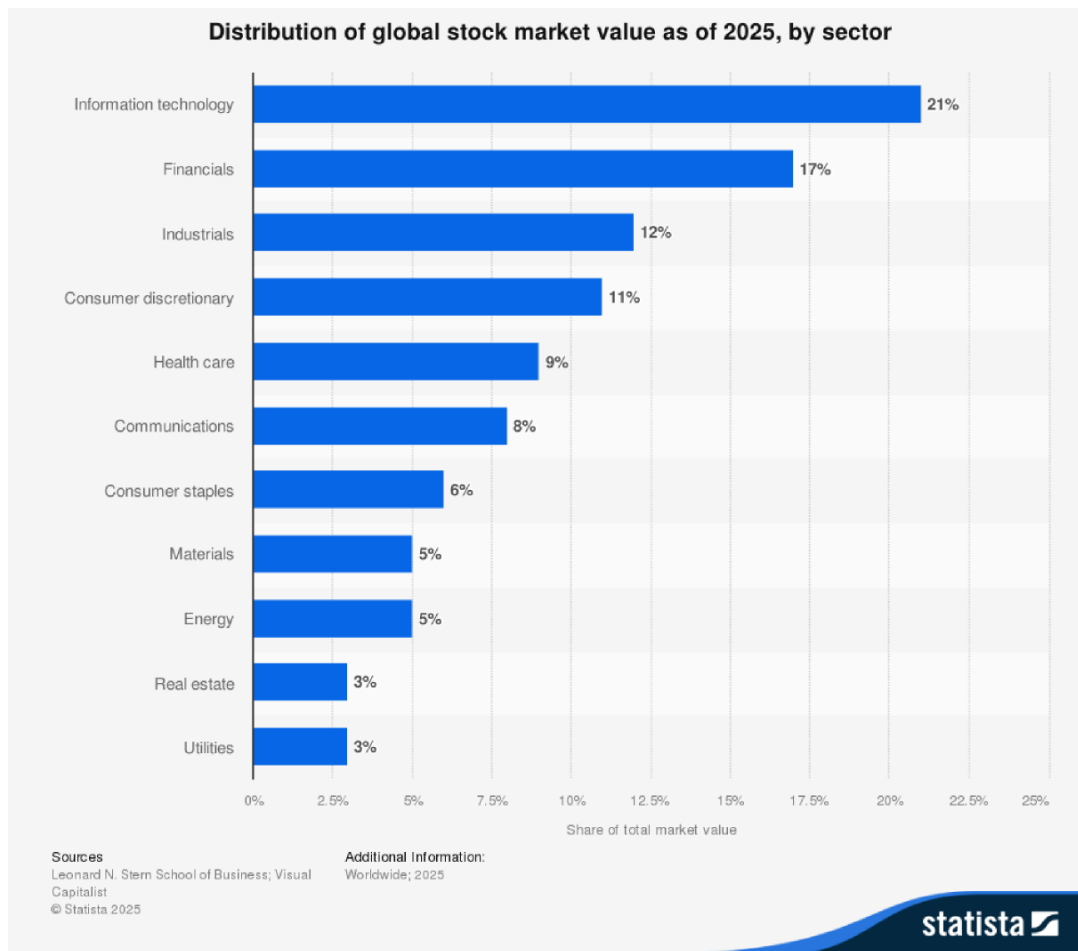
Predictive maintenance and inventory optimization

Resource allocation

Sources: Deloitte Future of Digital Customer Experience survey; Deloitte analysis.

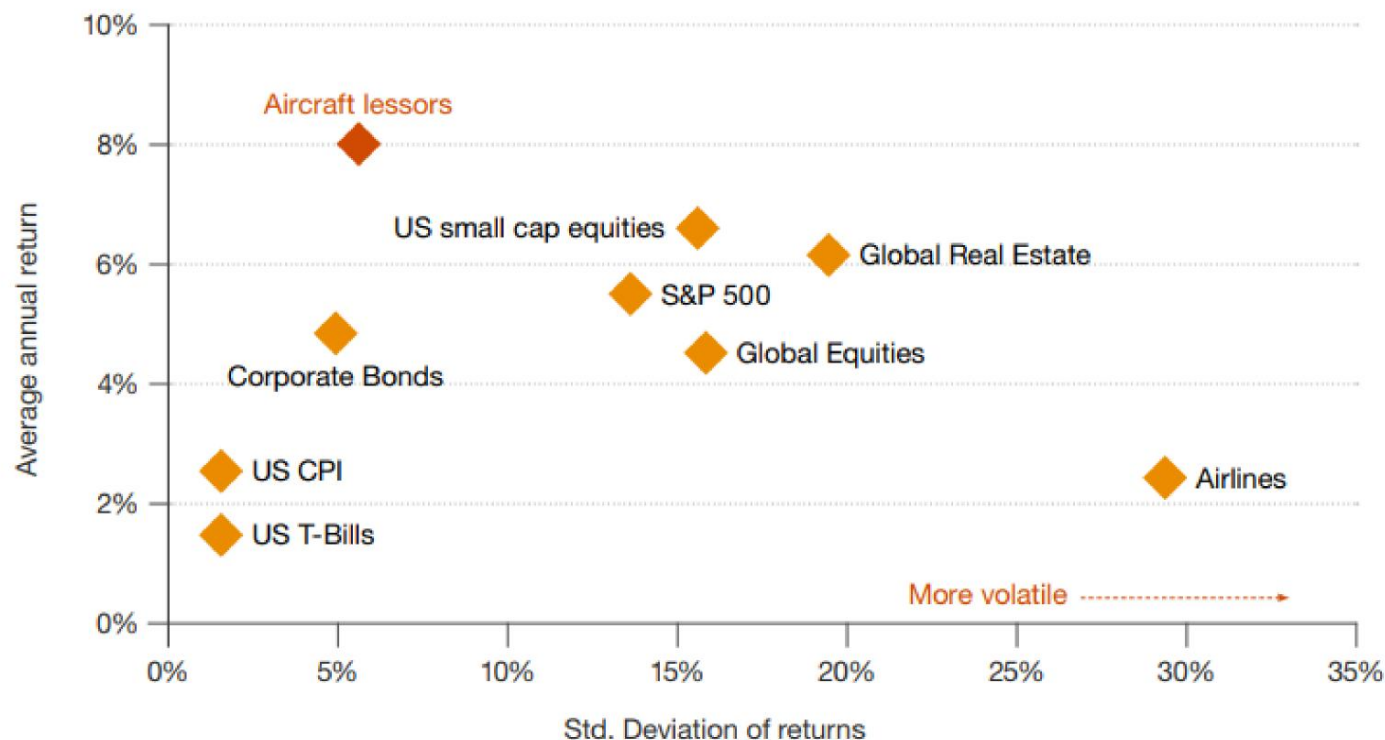
Deloitte. | deloitte.com/us/en/insights/research-centers/center-energy-industrials.html

IT and Financials dominate Global Stock Market Values



Wall Street loves Aircraft Assets

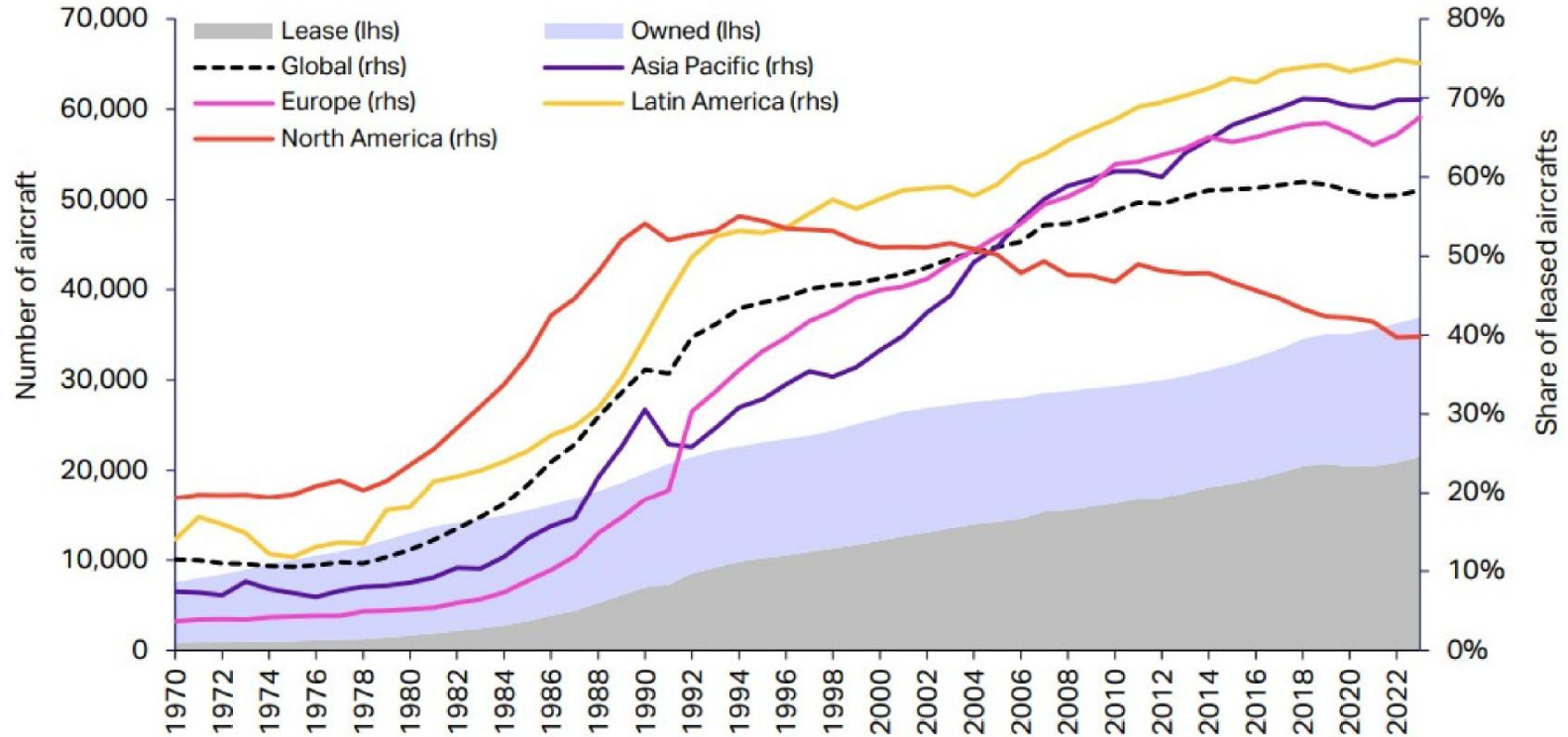
Chart 7: Returns on aircraft and other asset classes 2000–2023



Sources: PwC, Bloomberg, OECD,
US Fed., company financial statements

More aircraft are leased than owned by airlines globally

World commercial fleet by type of ownership

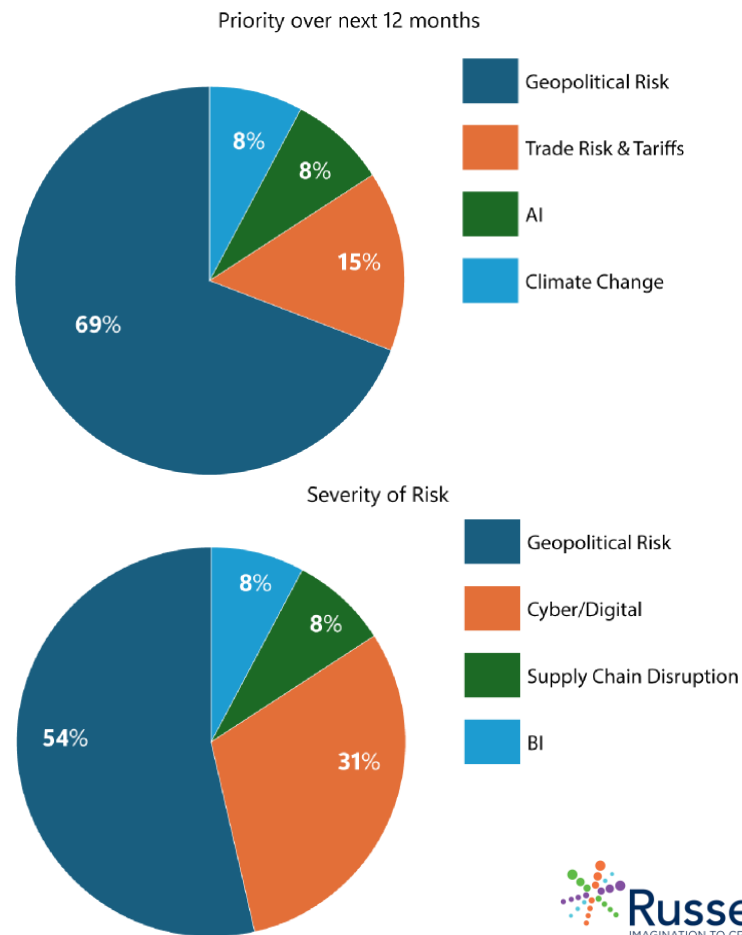


Source: IATA Sustainability and Economics, Cirium

Growth of Geopolitical Risk

We asked our working group of Corporate Risk Managers what the key risks were that could impact the balance sheet, and the priorities for the next 12 months.

The group consists of 30 members including, manufacturers, shipping lines, port management companies, importers, energy companies, banks, communications, technology and airlines.

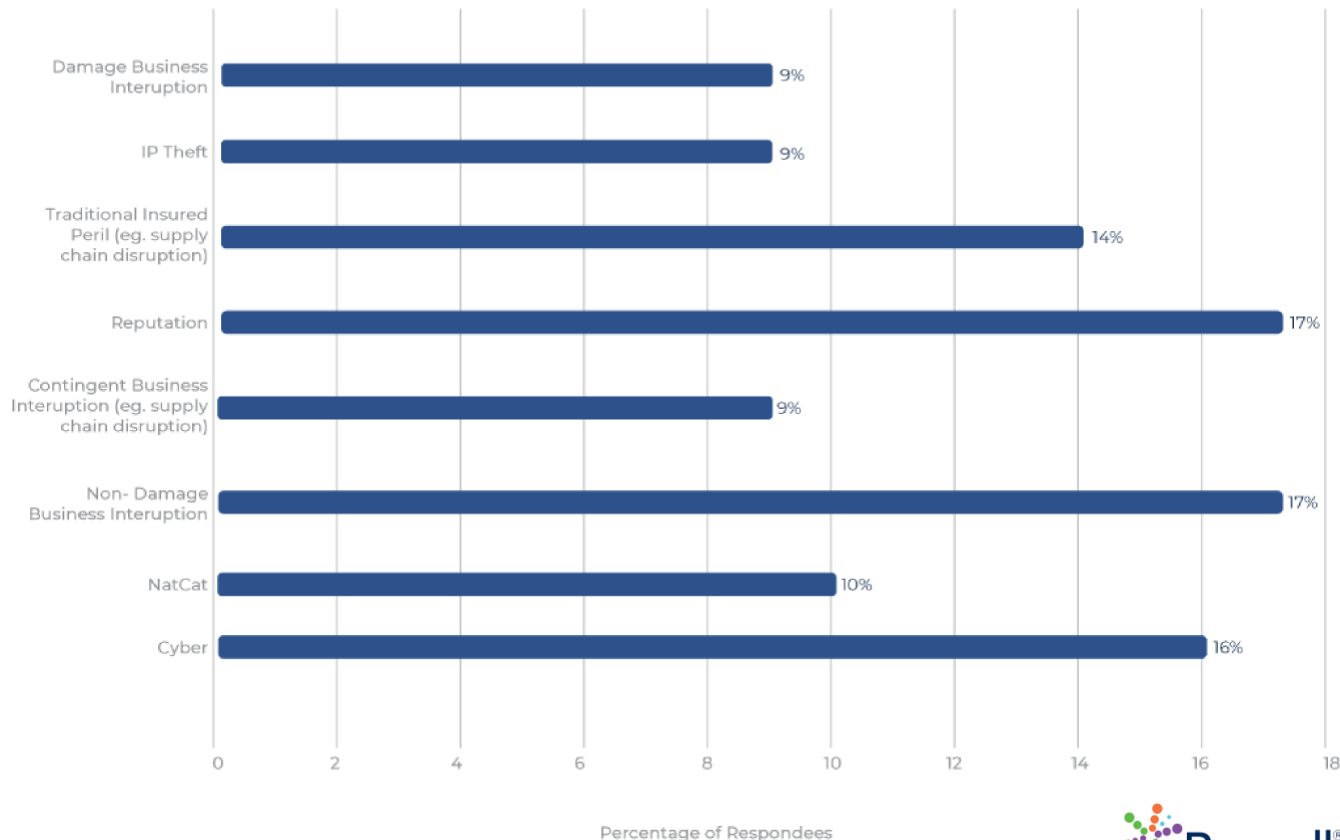


Demand for Reputation and Non-Damage BI Cover

**More losses caused
by intangible risks**

**From risks not
typically covered
by insurance**

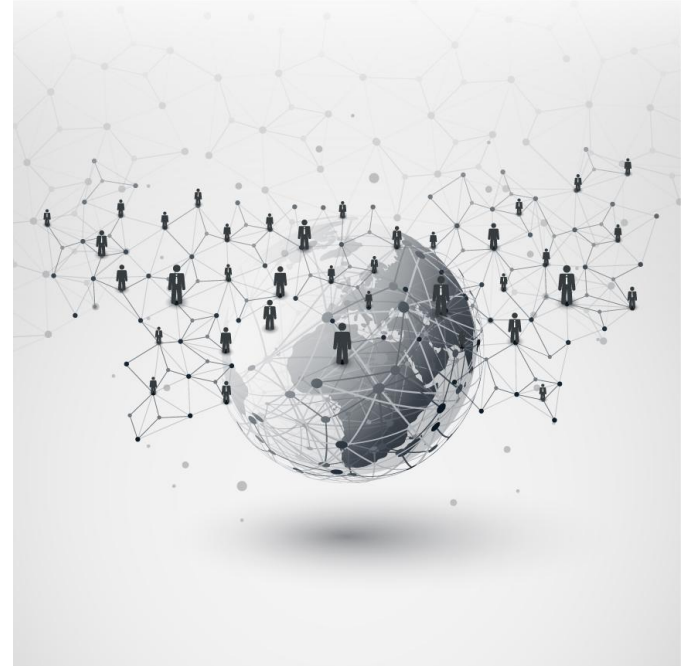
**Reputation and
non-damage BI**



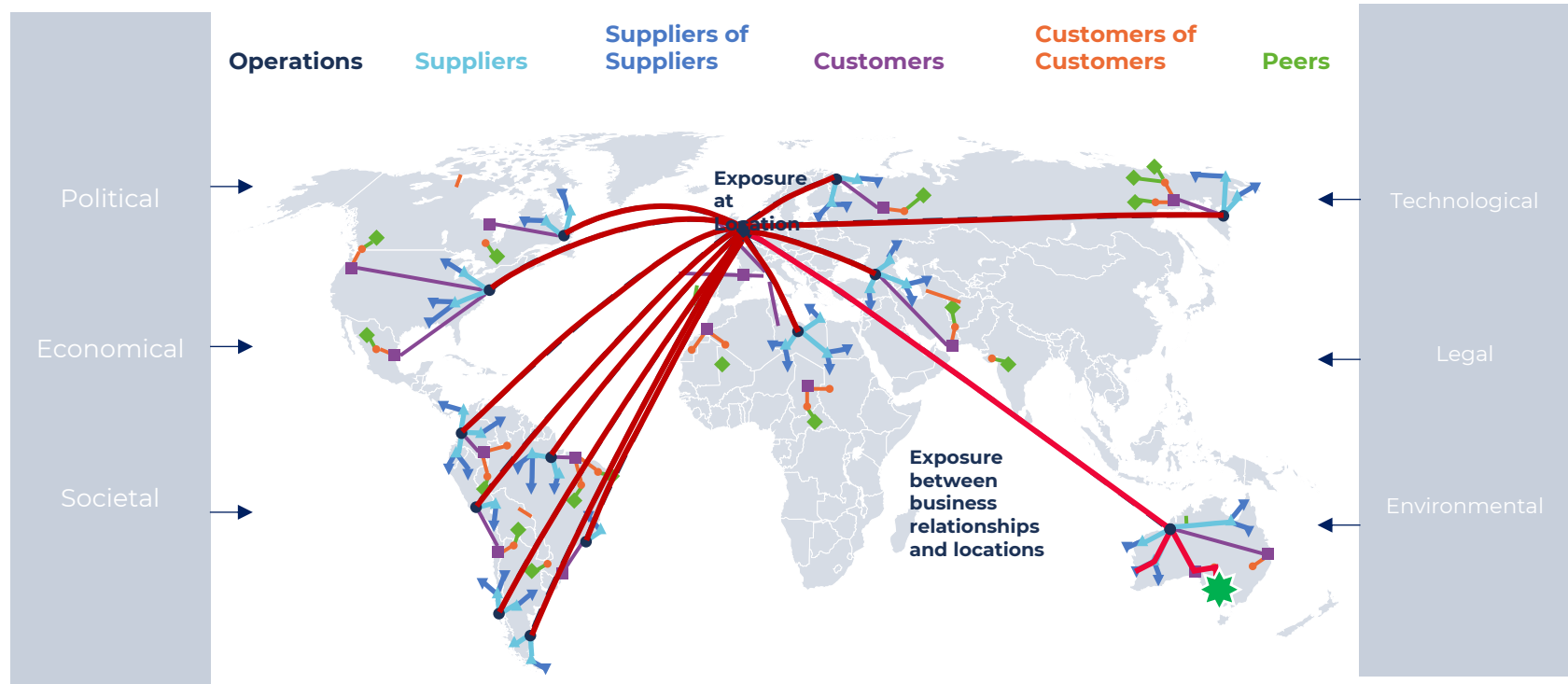
What is Connected Risk?

The complexity of business relationships means that trading risk is becoming more interconnected. We term this *Connected Risk*.

Understanding this is key to sustainable and successful operations.



Connected Risk in the Global Economy

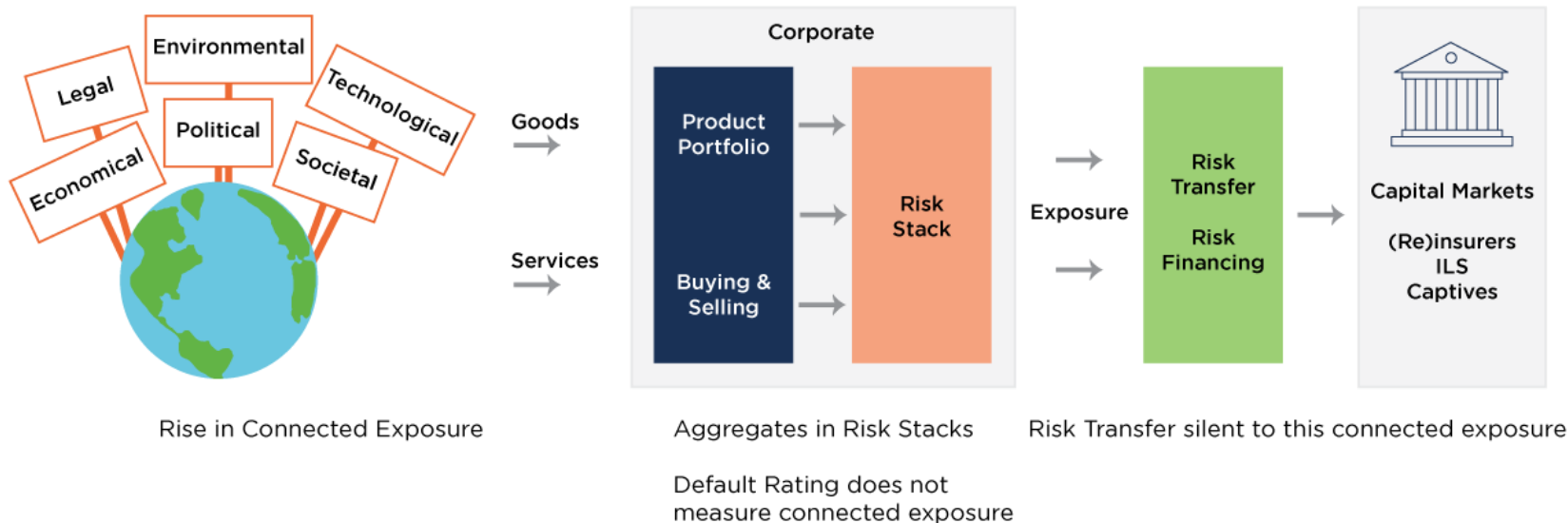


Trade, risk and exposure is truly borderless

The effect on Business Risks Stacks

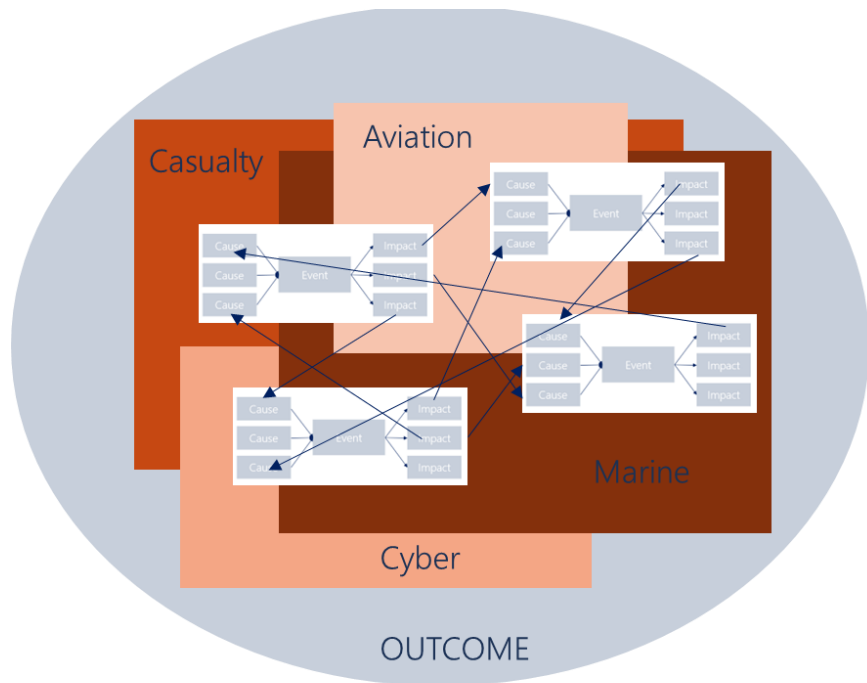
Global Trade Uncertainty is being driven by Connected Risk

Trade being disrupted by Connected Risk



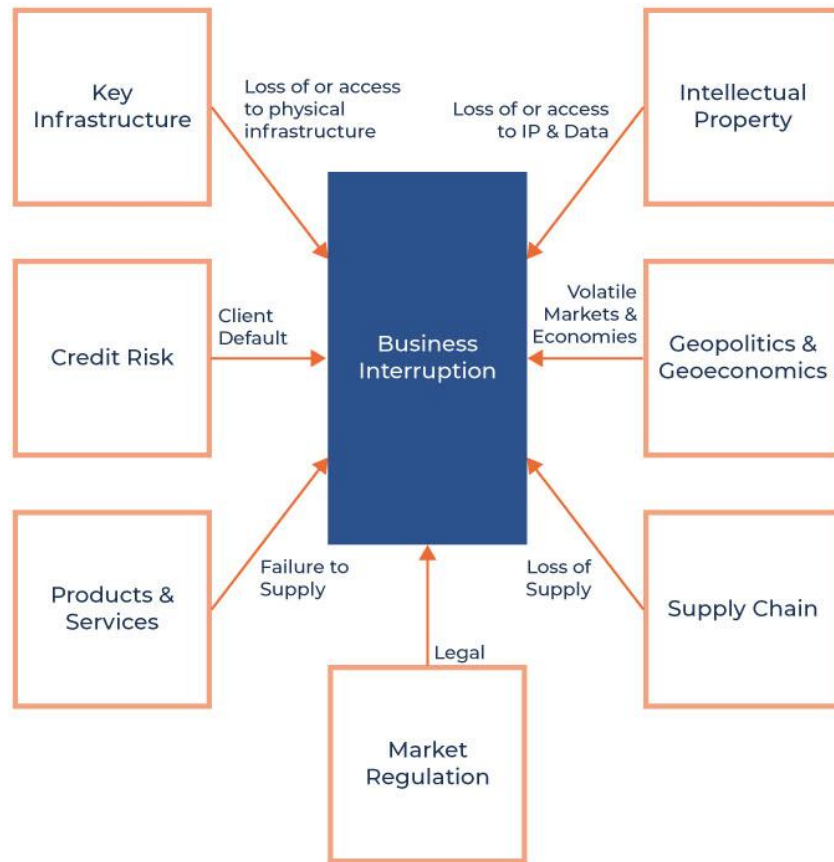
TRADE → **RISK** → **EXPOSURE**

Connected Risk requires Measurable Outcomes



- Causes of major organisational loss will not be by individual or limited events, but by a series of connected but different events which can stem from many connected causes
- This is where the traditional insurance model breaks down
- Connected Risks do not have definable individual events or causes, only measurable outcomes
- It is the outcome of connected risk events, and not the risk events themselves, that requires cover

Framework to measure Connected Risk Outcomes



What is an Outcome Solution?

Outcomes are the financial impacts to a balance sheet from connected risk

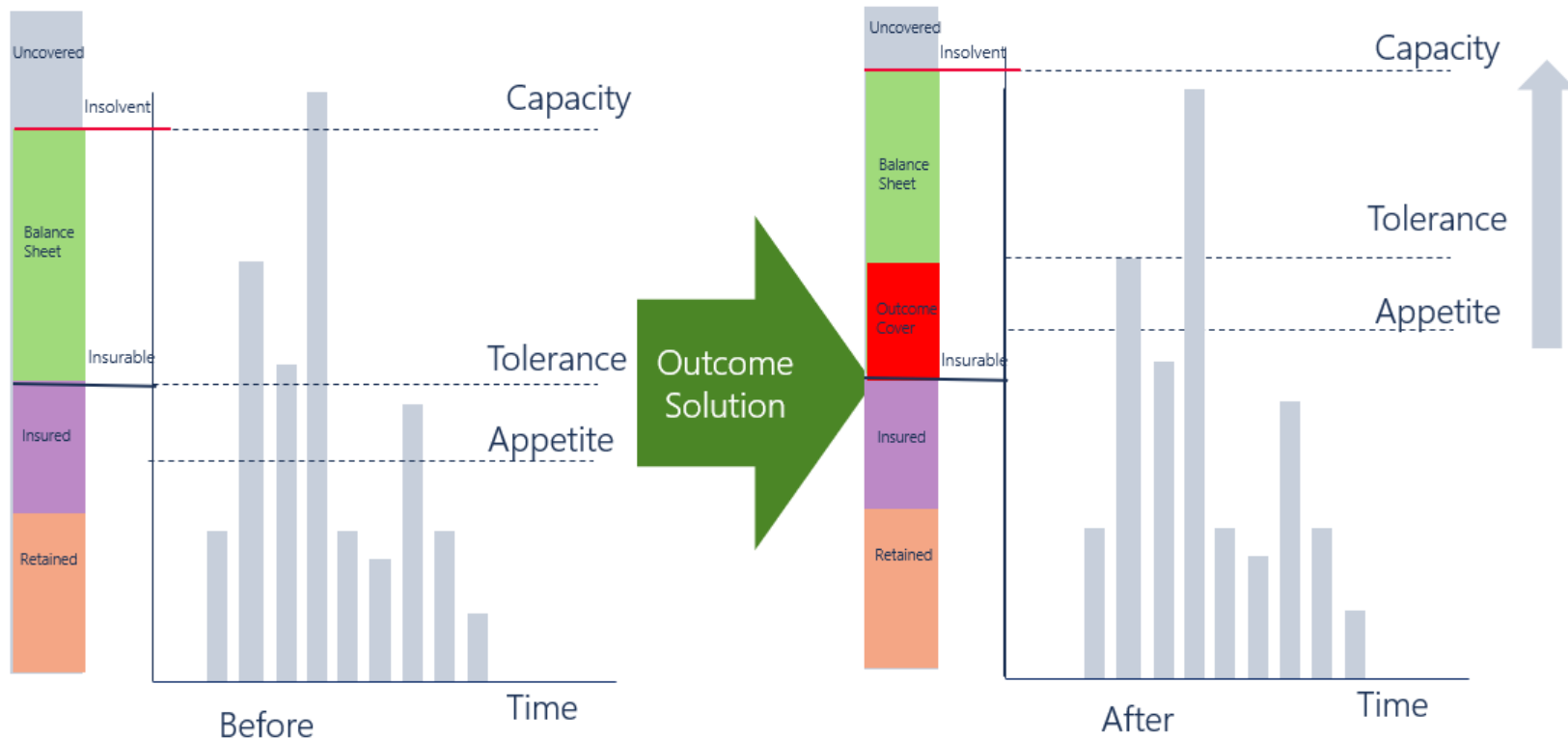
Needs an all-risks business interruption solution for such outcomes

Employs risk transfer and finance strategies to create such solutions

Delivers balance sheet resilience and liquidity at a cost below a corporate's existing debt financings and/or revolving credit facilities.

Unlocks opportunity for the corporate

Outcome Solutions help to Absorb Volatility



Russell Corporate Working Group

The Russell Working Group now contains 33 corporate risk and insurance managers.

It was formed in 2018 to consider 'Connected Risk' and to determine how using the data and analytics capabilities from Russell Group could help quantify exposure. The Group has four main pillars of activity:

Pillar 1 - Define and create a business viability solution driven by data analytics

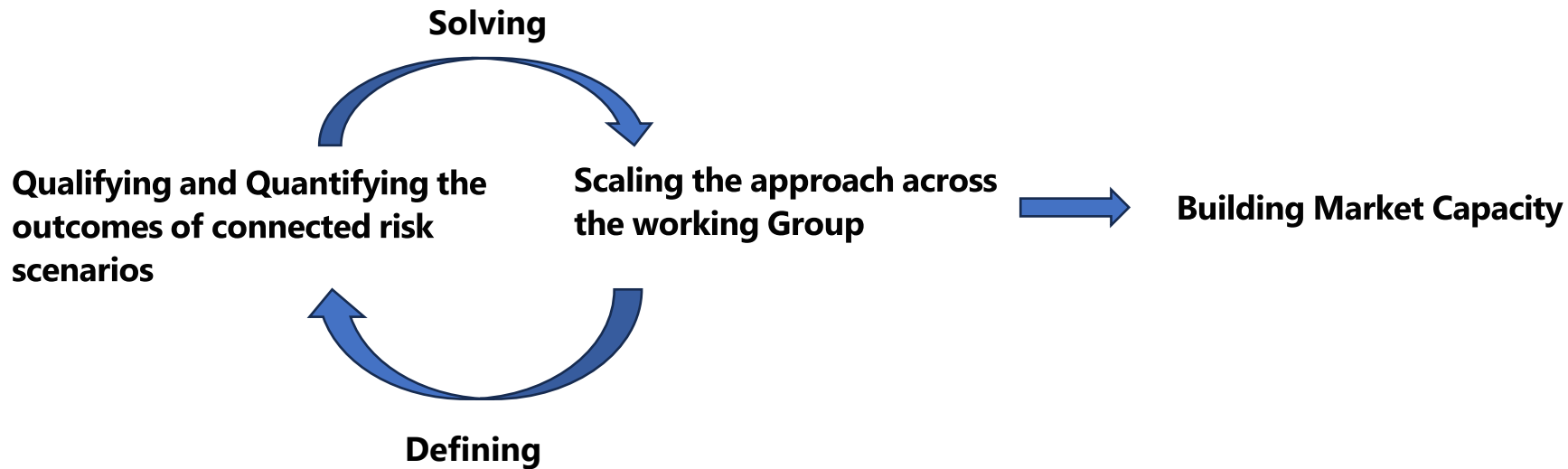
Pillar 2 - Act as an Incubator for insurer solution ideas

Pillar 3 - Create innovative solutions to make better use of Captives

Pillar 4 - Promote the corporate viability need and gain support from Government / Market Bodies

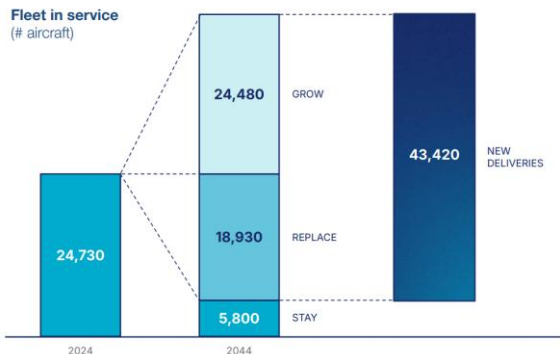
On 1st March 2024, AstraZeneca became the first connected risk transactor. It purchased a 5-year Business Resilience Insurance Policy providing its captive with a "connected risk" outcome-based solution, supported by three of the world's largest reinsurers.

Russell is Building Capacity for Connected Risk

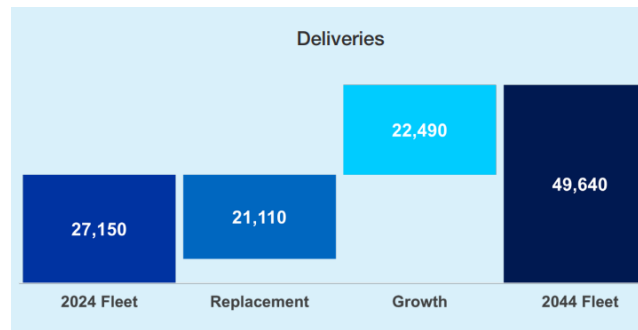


Securing Current and Future Aircraft Delivery Schedules

Airbus



Boeing



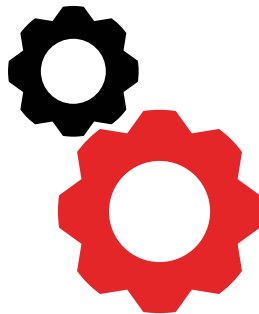
Aerospace supply-chain disruption is threatening current and future delivery schedules and impacting cashflow.

Providing Liquidity For Aerospace Outcomes

Employing risk transfer and finance strategies to create an all-risks solution for supply-chain disruption that ensures balance sheet resilience and liquidity for an aerospace manufacturer at a cost below its existing debt financing and/or revolving credit facilities.

Back to the Future

70 years
since ABC inception



Time for 2.0

London is ready



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Thank you