

## A new dimension in space risk protection

When Julia, risk manager at a start-up in the space sector, tried to find insurance for a constellation of satellites her company was planning to launch, she found it difficult to find the insurance product she needed. That was until her broker told her about the Lloyd's Lift Space insurance product.

This new risk solution, only available in the Lloyd's market and targeted specifically at the NewSpace sector, is a one-stop shop space insurance product. It enables customers to cover their assets from the pre-launch phase, including transit and placement on the launch vehicle, through to the launch phase and in-orbit operation, and is designed for satellites that weigh less than 300kg.

The policy is modular so Julia could choose the elements within each phase that were most relevant to her coverage needs.

The product, designed and managed by Brit and Hiscox, is backed by a consortium of 18 Lloyd's syndicates (insurers in the Lloyd's market) with a capacity of \$25m for each risk.

"When we were thinking about designing a new product, we decided to ask potential customers what they wanted; they told us to give them simple, cost-effective policies," explains Gary Brice, Head of Marine and Space for Lloyd's managing agent Brit Global Specialty, which with Hiscox, manages Lift Space.

"That isn't what traditional space insurance offers. Individual policies have to be bought for each of the three phases meaning customers had to talk to multiple brokers and underwriters. This can be costly and time-consuming, especially for those seeking solutions for smaller projects.

"Lift Space does away with all this complexity and allows customers to insure all the phases of their project with one policy."

**45** – the number of syndicates offering space risk cover (through about 10 lead markets, managing general agents and consortia)

**1965** – the year Lloyd's wrote the first satellite insurance policy (for pre-launch for the Intelsat I 'Early Bird' satellite)

**5** – the number of astronauts Lloyd's sent into space to carry out the first-ever space salvage mission



## A growing demand for space insurance

New demand for space insurance is being driven by the rise of the so-called NewSpace sector, characterised by lower cost, easier routes to space. This is opening up the space sector, once the preserve of national governments, to an increasing number of private enterprises, wealthy entrepreneurs and innovative start-ups.

The NewSpace sector is growing rapidly. According to a recent Lloyd's report, [\*NewSpace: bringing the new frontier closer to home\*](#), the global space market could increase in value from \$300bn today to \$1tr by 2040. At the time of publication, companies are planning to launch more than 7,000 satellites over the next few years. This means there are hundreds of companies, many of them new to the space sector, looking to buy space insurance for their projects and assets.

"Over the past decade or so, we have seen huge growth in the NewSpace sector. On the one hand that's a huge opportunity for Lloyd's because of the growing need for insurance; on the other it has posed us a few challenges," says Pascal Lecointe, Head of Space for Hiscox.

"Traditional insurance is too burdensome for these new companies that have different expectations of financial products and services, including insurance. That's why I believe Llift Space genuinely offers a new solution that closely reflects what our customers are looking for."

## Considerations for risk managers

The Lloyd's market has a long history of space insurance, coming up with the first ever satellite insurance policies and carrying out the first ever space salvage mission. It has, therefore, a huge amount of collective expertise in not only pricing the risk, based on years of valuable claims data and underwriting knowledge, but also in advising potential customers on reducing risks and the appropriate risk cover.

So, what should risk managers think about before buying space insurance? "The main thing they should consider is the extent and the type of cover they are looking for," says David Wade, space underwriter at Atrium Space Insurance Consortium, which offers a \$40m capacity through 10 Lloyd's syndicates.

"If you are launching a commercial satellite, you probably need quite comprehensive cover. You need to think about the scenarios you could face. What would happen if your satellite failed? How long will it take you to rebuild it? How long will you need to employ your teams to rebuild it? Do you have to hire another provider to provide that service in the meantime?"

"So, think about those kinds of aspects and whether or not you need a replacement satellite straight away and use those scenarios to drive the amount and type of insurance that you need."

Risk managers also need to think about the scope of the cover they need. If a company is launching a technology demonstration satellite, it may not need fully comprehensive cover.

For instance, the company might be able to prove the viability of the technology within a shorter timeframe or with more limited risk cover. That could mean buying total loss cover, where claims are only paid for a total loss, rather than partial loss cover, which pays out for an interruption to the mission due to loss of power or fuel.

## Full cover, including new technology

Even new technology is covered, says David Wade from Atrium. "There's a misconception that new technology can't be insured. That's not the case; it can be. It might be priced differently, or we may want to know a bit more information about it such as what testing has been done, but we will still insure it," he says.

"We will still make sure insurance is in place for new technology. Insurers are there as enablers to make sure our customers can carry their projects forwards."

## An exciting future ahead

The rapid growth of the space sector is a substantial opportunity for the companies involved in it and the insurance sector that's supporting it. However, those opportunities will only be realised if insurers continue to innovate at the same pace as customers' risks develop. This is something the Lloyd's market is committed to.

"We are at a really exciting point in both the evolution of the space sector and our response to this within the insurance sector," adds Gary Brice from Brit Global Speciality. "We are seeing a vast amount of innovation coming through and I think it is inherent on Lloyd's as an insurance market with more than 330 years of experience to provide products and services that meet the risk needs we are seeing in the space sector."

Pascal Lecointe from Hiscox agrees and says the Llift product shows how responsive and innovative the Lloyd's market is: "Having two leading markets in the sector come together in a way that's never been done before to create a genuinely innovative Lloyd's product for this dynamic new industry, highlights the place Lloyd's retains at the forefront of the global insurance market."

