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Strategic Risk Management for Successful Space & Defence Programmes (4)

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ENTERPRISE RISK MANAGEMENT AND SPACE INSURANCE

Abstract

Insurance is an integral risk transfer option of any reliable enterprise risk management strategy. Especially for companies involved in high risk activities, it is essential that they externalize and transfer risks that the insurance market is willing to take on at a price that makes economic sense.

Companies involved in space activities are no different and have to consider early on in the development of their programs how to approach the question of insurance coverage, since this not only impacts their financial decisions, but also technical and mission design. A space company's enterprise risk management strategy will typically resemble the ones adopted by any high-technology company; however, the specialty property and casualty insurance industry for the coverage of space assets is a very specialized branch of the insurance industry.

Unlike most other products, Space products such as launchers and satellites are not sold with product warranties or similar performance guarantees, and they often cannot be repaired once they have been launched. Therefore, the largest type of risk covered consists of asset protection for the owners and operators of the products, as well as their financial backers, with an objective to protect their balance sheets. In addition, there is cover available for liabilities arising from launch operations and in-orbit operations, as well as a series of asset and liability exposures related to the manufacture and testing of Space products.

The first satellite insurance to cover physical damages on pre-launch was placed in 1965. The industry took off in the early 80's facilitating the financing and growth of the commercial space industry.

Space insurance is a niche market of about 40 participants, with its dedicated insurance capacity, market conditions, and its adapted coverage designed to cater for the need of a wide array of space missions. While the space insurance market is to some extent affected by the general conditions of the insurance sector, it is also regulated by its own rules and customs.

This article will present the space insurance market, its actors, products and current conditions. It will then present how these current conditions are affecting the space industry.