

# Aviation—International

Market Update Spring 2010



## Contact



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As expected, 2009 produced the third consecutive loss-making year in the airline insurance industry. While average Lead Hull and Liability premium rose by 20 percent and generated \$1.9 billion in premium, one of the most expensive claims years in recent aviation history generated claims of \$2.35 billion (including attritional losses).

### Premium Hull and Liability

	2009 (U.S. \$m)	2010 (U.S. \$m)	% Change
First Quarter	30	42	40
Second Quarter	193	217	12
Third Quarter	240	292	22
Fourth Quarter	1,138	1,365	20
<b>Total</b>	<b>1,601</b>	<b>1,916</b>	<b>20</b>

It is unlikely though that 2010 will continue with the same level of price increases. Premium of \$1.9 billion would have been sufficient to have produced a modest profit during the previous 5 years if we had seen the average level of airline claims for that period (\$1.7 billion). This indicates that the market premium has reached a level where on an average year it would exceed the total claims.

Combined with the new capacity within the aviation market, it would appear that 2010 should see an easing from the hard market of 2009.

One point of interest and concern does stand out for 2010, however. The extraordinary losses totaling \$2.35 billion were reached despite an annual reduction in the total number of losses and a considerably lower-than-average fatality count. This is further evidence of the increasing liability awards.

### Other Exposures

#### General Aviation

- ❖ Fixed-wing operations are expected to remain static with the exception of the business jets, which remain extremely competitive due to surplus market capacity.
- ❖ Rotor-wing operations continue to be subject to rising prices.

#### Airports Including Air Traffic Control

Reduced exposures throughout 2009 have been the driving force for premium reductions, which will remain until passenger numbers and aircraft movements start to increase.

#### Manufacturers Including Maintenance, Repair and Overhaul (MRO)

Renewal premium within the manufacturers industry remained virtually static through 2009 generating just in excess of \$600 million (including MRO).