

WILLIS AIRLINE INSURANCE MARKET REVIEW

February 2014

Willis

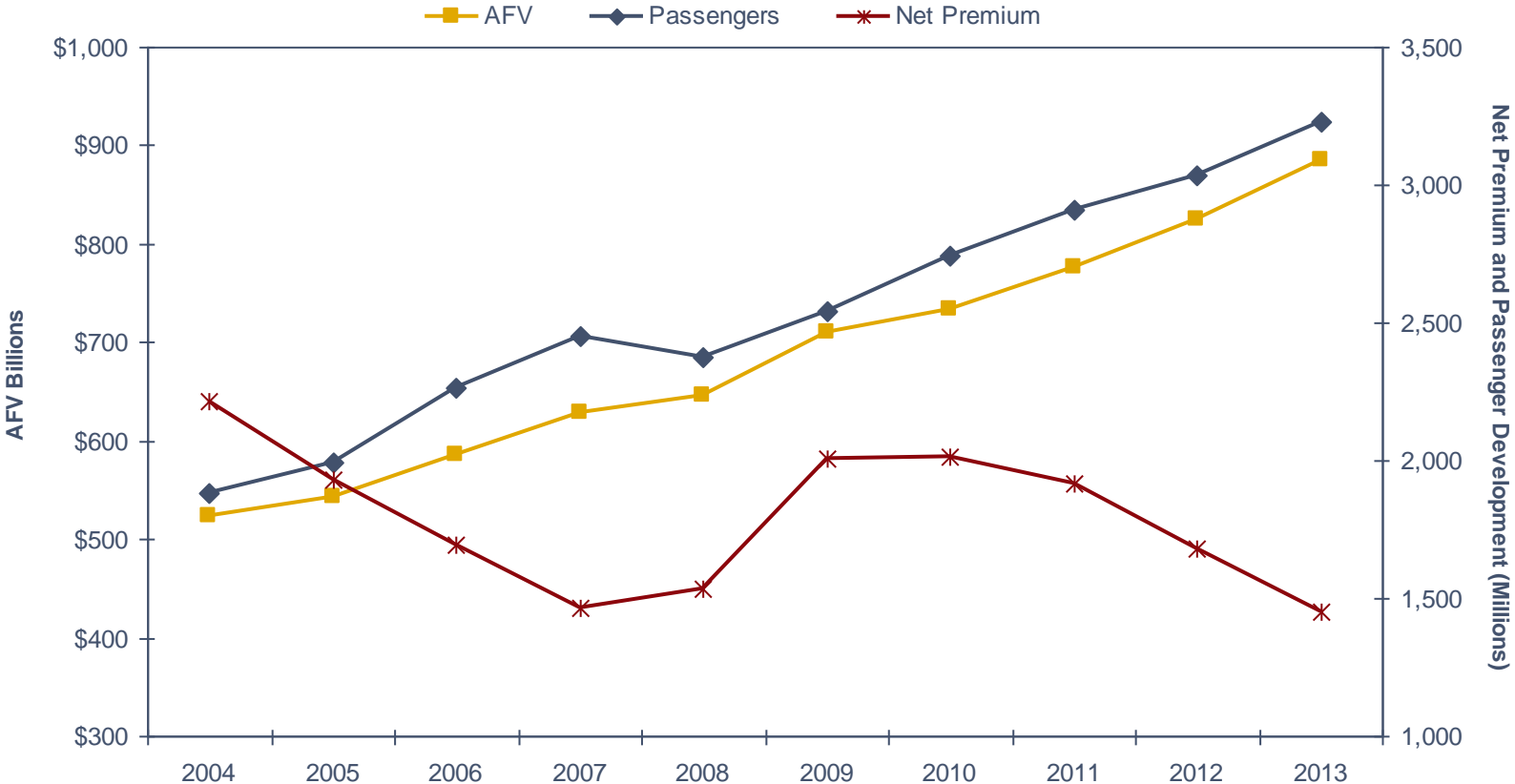
Excellent Accident Rates



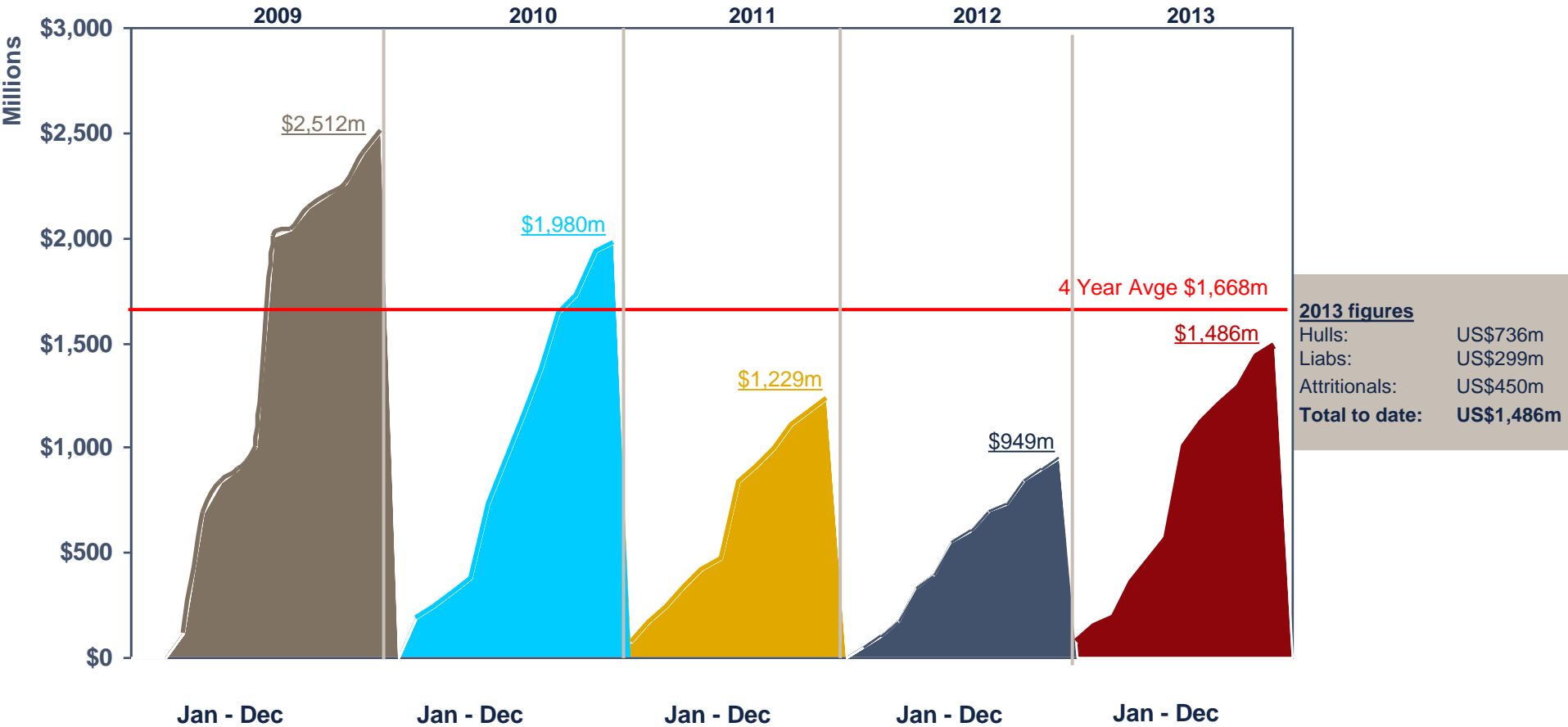
Continually Improving Experience

Region	2007	2008	2009	2010	2011	2012	2013 (as at end Nov)
Africa	4.09	2.12	9.94	7.41	3.27	3.71	2.39
Asia Pacific	2.76	0.58	0.86	0.80	0.25	0.48	0.79
Russia & CIS	0	6.43	0	0	1.06	0	2.36
Europe	0.29	0.42	0.45	0.45	0	0.15	0
Latin America	1.61	2.55	0	1.87	1.28	0.42	0.47
MENA	1.08	1.89	3.32	0.72	2.02	0	0.78
North America	0.09	0.58	0.41	0.10	0.10	0	0.34
North Asia	0.88	0	0	0.34	0	0	0
Industry	0.75	0.81	0.71	0.61	0.37	0.20	0.41

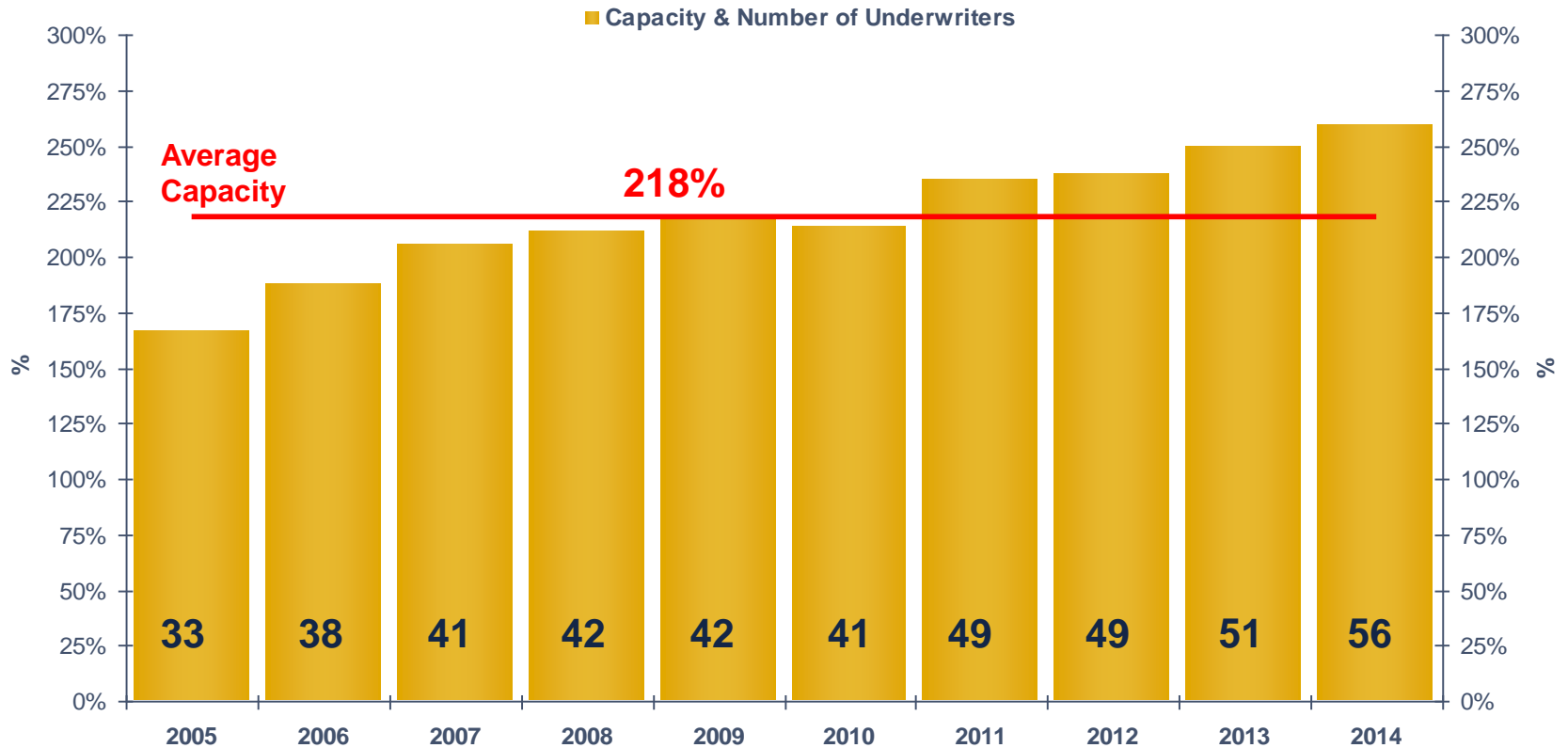
10yr Exposure and Premium Development 2004-2013



Cumulative Monthly Incurred Reserve Development (US\$m)



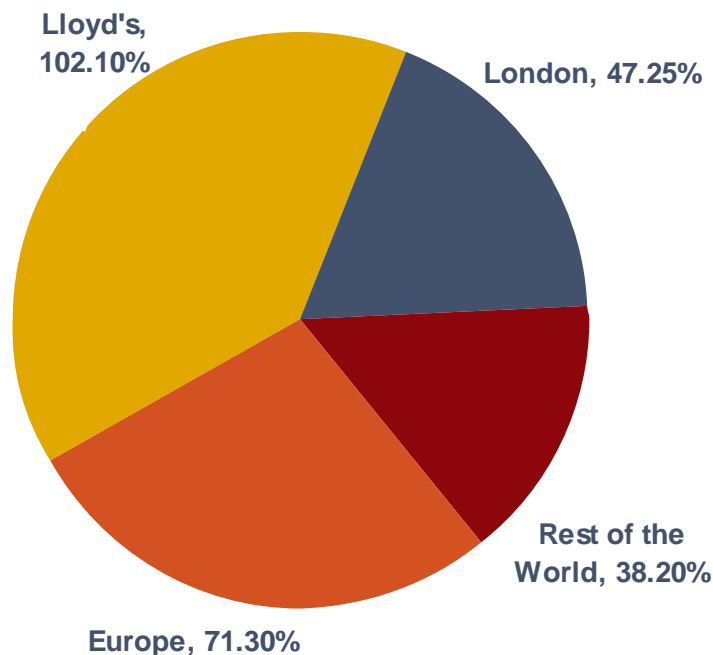
2005 – 2014 Maximum Capacity Levels



Hull & Liability 2014 Theoretical Capacity*

Non-US Airlines With A CSL Of US\$1.5bn & A Max Agreed Value Of US\$250m

Total Capacity* 258.85%



**indicates capacity available not necessarily deployed in all cases*

	S&P	Capacity
ACE Global Markets	A+	10.00%
Catlin	A+	10.00%
Mitsui	A+	10.00%
Starr Aviation	A+	7.50%
Amlin	A+	7.50%
QBE	A+	7.50%
XL	A+	6.50%
Beazley	A+	6.00%
Talbot	A+	5.00%
Faraday	A+	5.00%
Hiscox	A+	5.00%
Chaucer	A+	4.00%
Pritchard	A+	3.50%
Atrium Consortium	A+	2.60%
Travelers	A+	2.50%
WR Berkley	A+	2.50%
Kiln	A+	2.00%
Antares	A+	2.00%
Argo	A+	1.50%
Hardy	A+	1.50%
TOTAL		102.10%

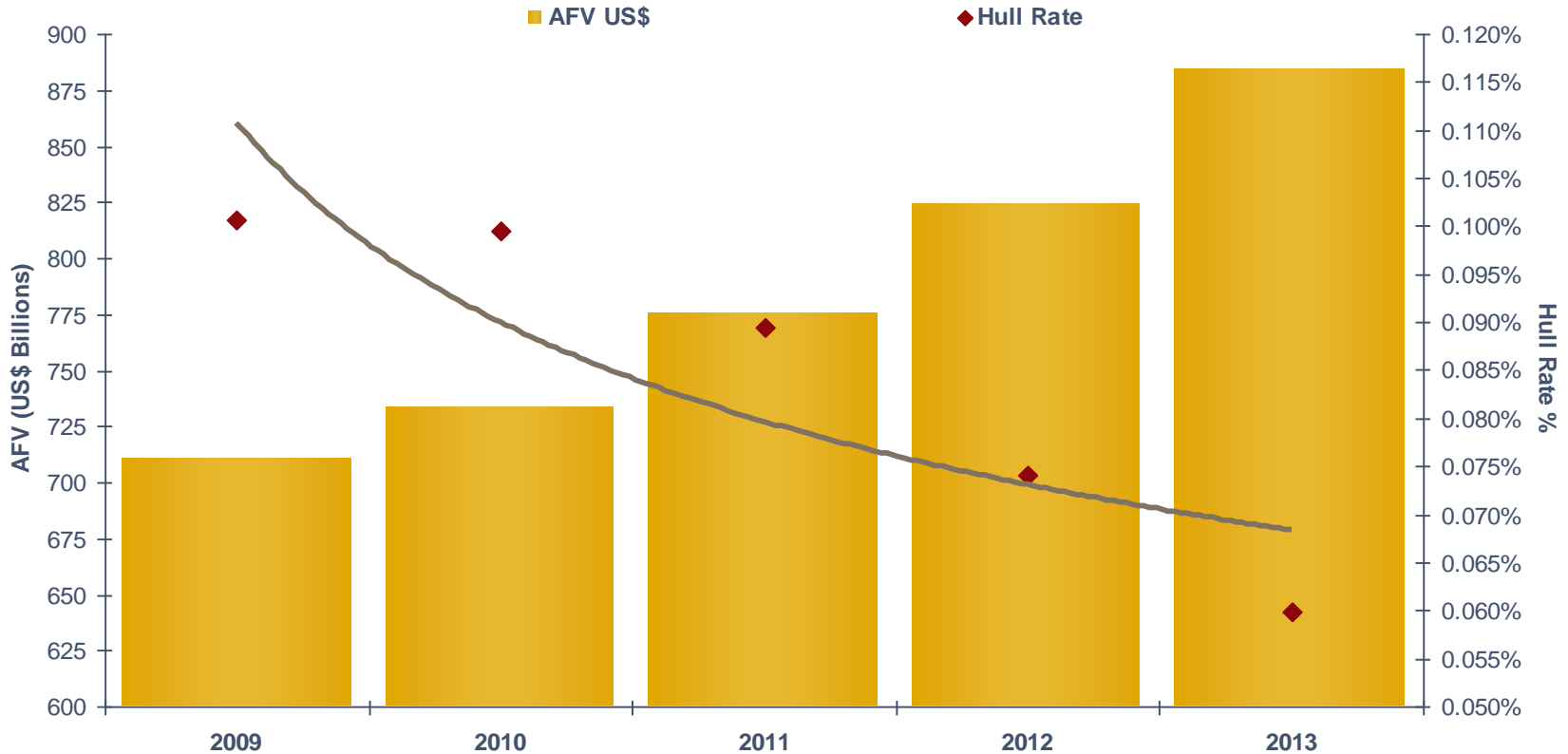
	S&P	Capacity
LRA	Agency	13.00%
Swiss Re	AA-	12.50%
AXA	A+	10.00%
Munich Re	AA-	10.00%
Inter Hannover	AA-	5.00%
Mapfre	BBB+	4.00%
Partner Re	A+	3.50%
Torus	A- (Best)	3.50%
Allied World	A	3.00%
HDI Gerling	A+	3.00%
Sirius	A-	1.50%
Aviabel	A-	1.00%
SCOR	A+	1.00%
Delvag	A (Best)	0.30%
TOTAL		71.30%

	S&P	Capacity
AIG	A	15.00%
Allianz	AA-	10.00%
GAUM	Agency	10.00%
Liberty Mutual	A-	4.00%
Aspen	A	3.50%
Altitude Risk Partners	A-	2.50%
Generali	A	2.25%
TOTAL		47.25%

	S&P	Capacity
GIC	A- (Best)	8.00%
AXIS	A+	7.50%
ACR	A-	5.00%
Samsung	AA-	3.00%
Abu Dhabi	A-	2.00%
Korean Re	A-	2.00%
New India	A- (Best)	2.00%
Oman	A-	1.50%
IRB	A- (Best)	1.50%
Tokio Marine	AA-	1.50%
China Re	A (Best)	1.00%
Misr	NR	1.00%
PICC	A1 (Moody's)	1.00%
Ping An	A-	1.00%
Africa Re	A-	0.20%
TOTAL		38.20%

ICICI write up to 2% selected Asian Pacific & ME business.

2009-2013 Global Average Market Hull Rate Comparison

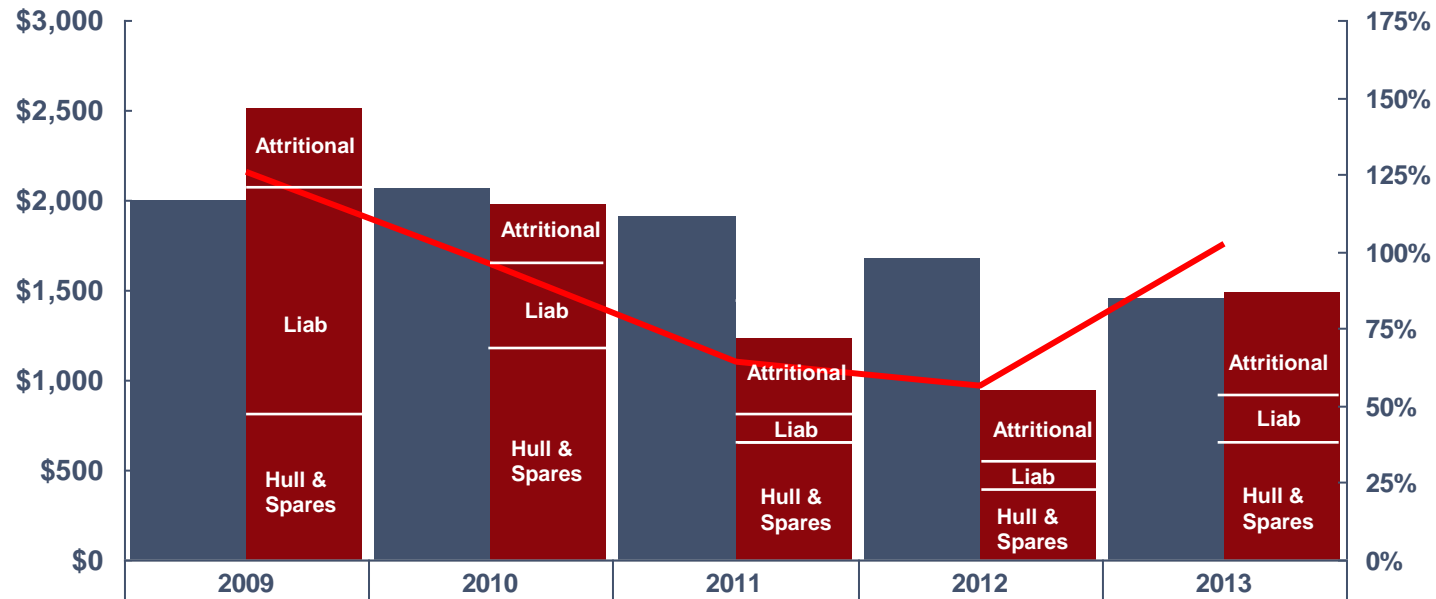


2009-2013 Global Average Market Liability Charge per Passenger Comparison



World Wide Airline Hull & Liability Premium and Claims on a Calendar Year Basis 2009 – 2013 (Net Leaders Terms US\$M)

■ Net Premium* ■ Claims** — Loss Ratio

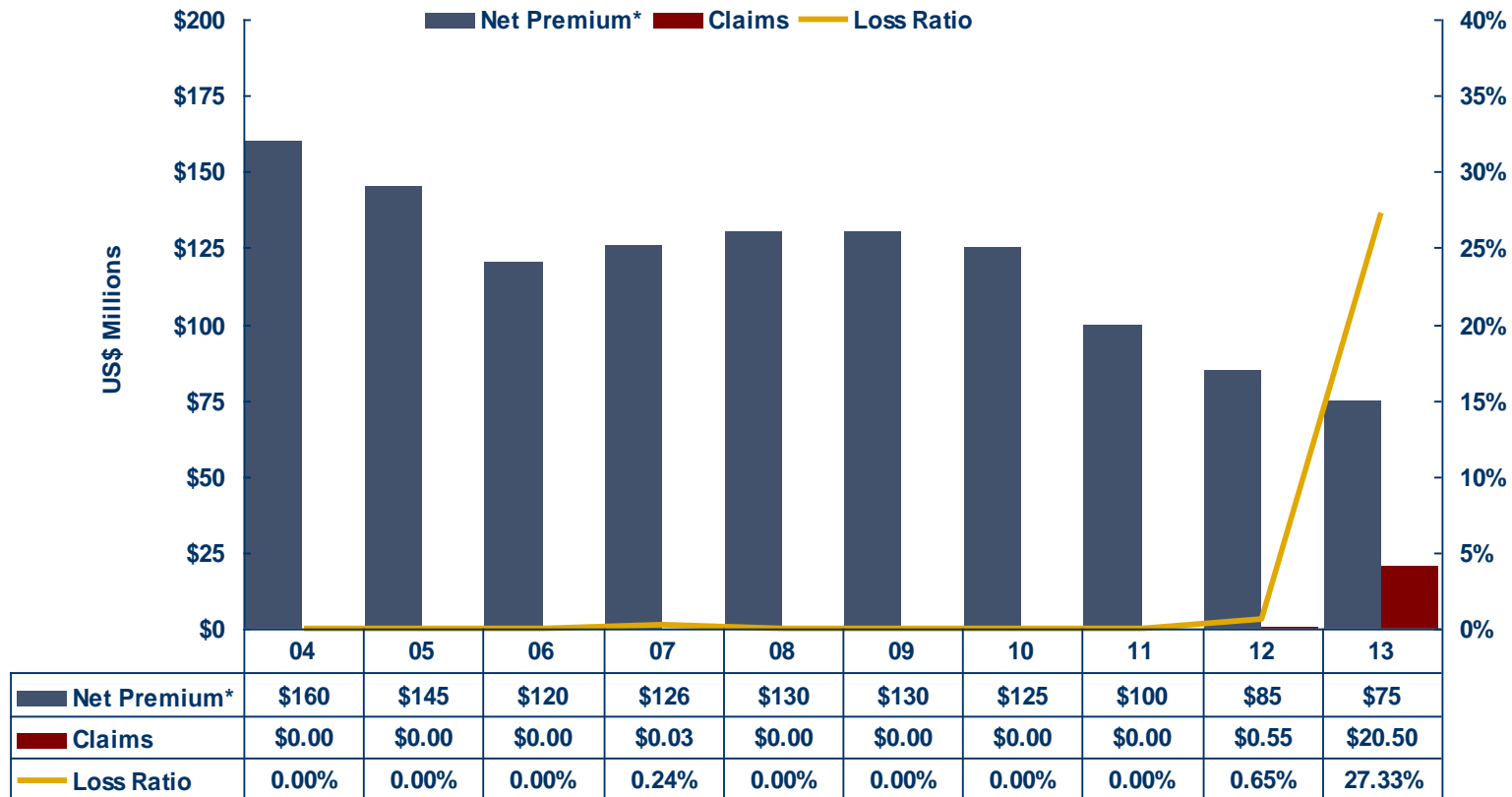


■ Net Premium*	\$2,000	\$2,065	\$1,913	\$1,677	\$1,454
■ Claims**	\$2,512	\$1,980	\$1,229	\$949	\$1,486
— Loss Ratio	125.6%	95.9%	64.2%	56.6%	102.2%
Est Att Losses	\$450	\$450	\$450	\$450	\$450

* Premium includes all known airlines with an AFV in excess of US\$100m and is based on Net London Lead Terms; it is subject to change as more information becomes available.

** Claims shown include the estimated figure for attritional losses. Products/Airport/ATC portion of losses is not included, this shows Airline Hull & Liability claims only. Claims are updated as more information becomes available.

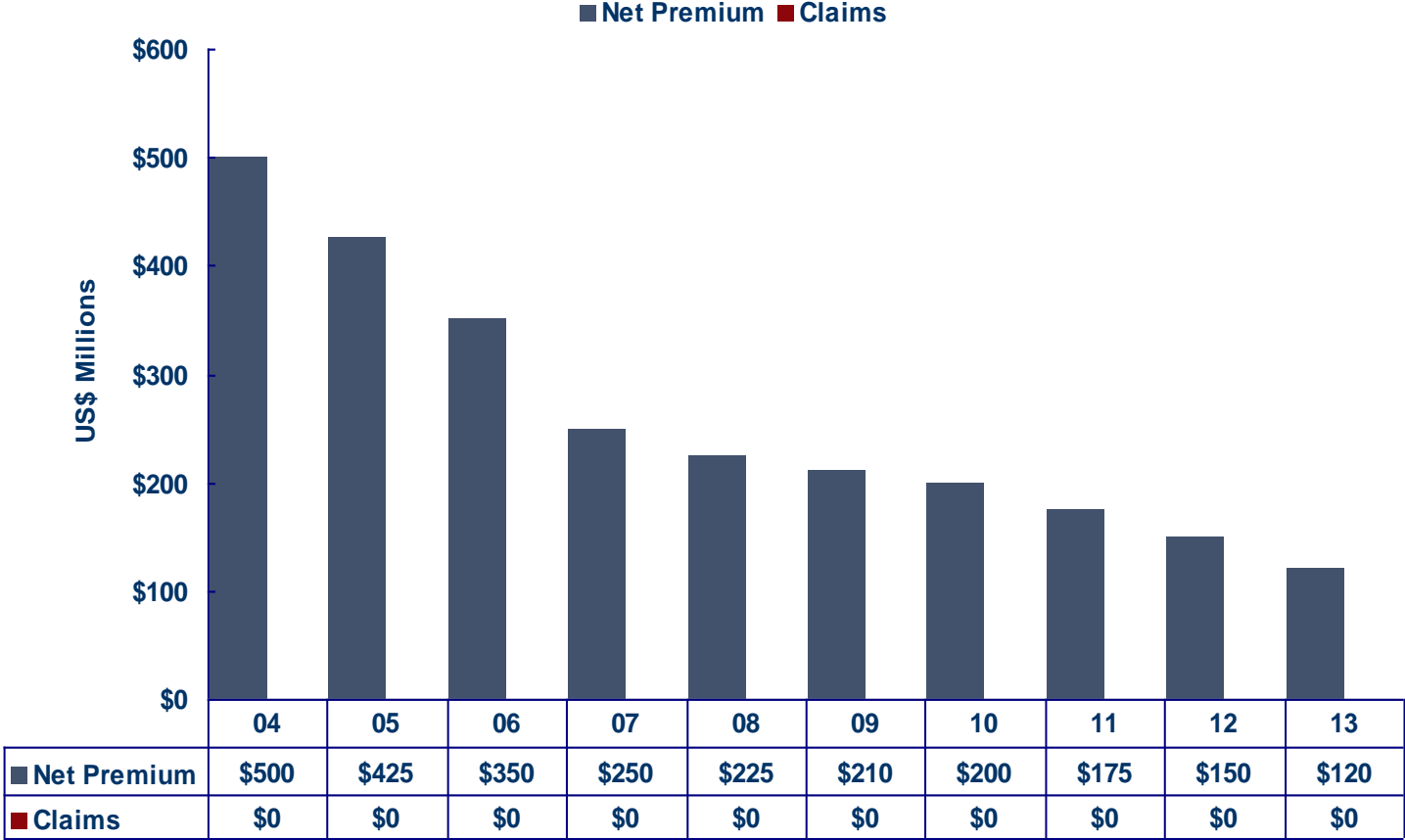
World Wide Airline Hull War Premium & Claims 2004 – 2013 (Lead Terms US\$m)



2005 and onward premium excludes US domiciled airlines which took Homeland Security cover.

*Premium includes all known airlines, and is based on Gross London Lead Terms. Data shown above is for all airlines and is an estimate based on information known to date; it is subject to change if more information becomes available.

Third Party War & Terrorism Liability Premium & Claims 2004 – 2013 (Lead Terms US\$m)



Conclusion

- Does 2013 mark the bottom of the airline market? It is a question that has been posed and answered with a resounding no for at least the past 4 years
- We need to remind ourselves we tracked the 2013 calendar, losses were US\$1.486 Billion including a pro rata estimate for attritional losses vs a total market income of US\$1.454 Billion
- The means that the market as a whole has lost money for the first time since 2009
- The continued downward trend against exposure growth is recognised as being unsustainable if there is not a significant change in either of the key market drivers of capacity and claims.
- Providing perfect conditions for **buyers** and challenges for **underwriters**

Selection Criteria used

Unless indicated all percentage change figures are based on NET rates & premium.

Premium percentage change derived from Airlines renewing with Average Fleet Values of US\$100 million and greater. Comparisons made from annual renewal figures year-on-year.

Lead premiums used and NOT composite 'market premiums'.

Liability rate is calculated as premium per passenger carried.

It should be noted that due to the relatively small sample of renewals in some months, that the comparisons with previous years can be distorted by the renewal of a small number of major risks and should be treated with caution.

Willis Limited

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