

The sector referred to as 'Aerospace' by the London market principally covers the insurance programmes of aviation manufacturers and suppliers, including maintenance, repair and overhaul (MRO), airports, air navigation and other service providers and fuel producers and suppliers.

AEROSPACE THIRD QUARTER (Q3) 2008

Q3 is the busiest renewal period of the year in the non-airline Aerospace sector, by premium volume. Premium generated represents approximately 40% of the total annual renewal premium underwritten in the market.

Of the renewal premium generated it is that of US domiciled manufacturers, approximately 65%, that dominates, consequently the quarter is considered the most influential renewal period of the year and provides a good indication of the markets general view of Aerospace as a whole.

Aerospace renewal premium generated during Q3 2008 totalled US\$331m*, which is an overall reduction of 7.3% compared with Q3 2007 renewal premium. This is slightly up on the reduction of 5.3% recorded for the first half year 2008.

Aerospace net renewal premium for the year to date (YTD) totals approximately US\$637m compared with US\$674m for 2007, a reduction of 6%.

The market remains positive towards the Aerospace sector as demonstrated by the results of Q3. However, there are signs that the market is

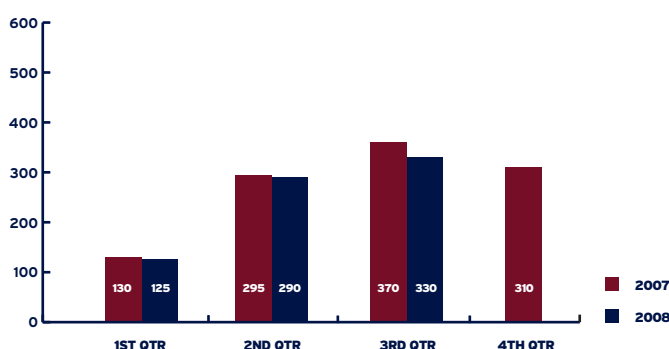
firming, certainly in the Airline Hull and Liability sector, where premium increases are being applied.

Set against the backdrop of ongoing turmoil on the world's stock markets, the credit squeeze and the general economic malaise, pressure on underwriters is growing as their capital providers and management impose stricter risk acceptance parameters and set higher targets of return on utilised capital.

We do not anticipate, from an Aerospace perspective, any significant change in the markets stance towards forthcoming renewals during Q4 2008. It is likely that premium reductions will be obtained, where underwriters deem it appropriate. However, as in previous quarters underwriters will continue to review each renewal thoroughly. Poor recent loss histories may result in premium increases, while significant exposure growth may also result in premium increases, however, at underlying rate reductions.

*based on the results of 95 renewed programmes during Q3, including those renewals that are not monitored by our manufacturers and airports indexes.

AEROSPACE RENEWAL PREMIUM DISTRIBUTION



AEROSPACE YTD END Q3 RENEWAL PREMIUM CHANGE

SECTOR	NET US\$ PREMIUM 2007 M	NET US\$ PREMIUM 2008 M	CHANGE %	RENEWING PROGRAMMES
MANUFACTURERS	494	466	-6%	126
AIRPORT	106	101	-5%	106
ATC	30	27	-10%	24
FUEL	25	24	-4%	38
AIRPORT SERVICES	20	19	-2%	14
OVERALL AEROSPACE	674	637	-6%	308

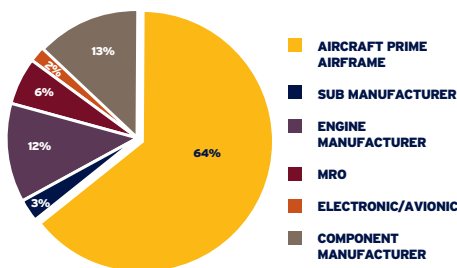


WILLIS MANUFACTURERS INDEX YTD, END Q3 2008 RENEWAL CHANGE

SECTOR	NET US\$ PREMIUM CHANGE	EST SALES CHANGE	US\$ RATE ON SALES CHANGE	RENEWING PROGRAMMES
AIRCRAFT PRIME MANUFACTURER	-8%	10%	-17%	12
SUB MANUFACTURER	9%	29%	-16%	6
ENGINE MANUFACTURER	-8%	17%	-21%	8
MRO	15%	13%	2.2%	12
ELECTRONIC/AVIONIC	-5%	11%	-15%	6
COMPONENT MANUFACTURER	5%	17%	-10%	23
OVERALL INDEX	-6%	12%	N/A	67

WILLIS MANUFACTURERS INDEX, RENEWAL PREMIUM DISTRIBUTION, BY SECTOR YTD, END Q3 2008

The Willis Manufacturers Index, YTD as at the end of Q3 2008, reviews the cumulative renewal experience of 67 monitored insured's, reported by manufacturing sector, of a total (based on 2007's Index) anticipated 113 renewals for 2008. In premium terms approximately 77.6% Of 2007's Index premium has now renewed.



The Index, YTD end Q3, reports a total renewal premium reduction of approximately 6%, a significant change on the reported 1.3% increase at the end of first half year. Estimated sales growth, 12%, is slightly down on the first half year figure of 13%.

The marked change in the premium position is the result of renewals in the Aircraft Prime Airframe and Engine sectors, which generate 79% of the total Q3 Index renewal premium. All of the programmes renewed achieved premium reductions, which in some instances, were double digit. While each insured within these sectors was individually assessed, all have presented excellent recent loss histories and all have generated very positive credit balances to the market.

The Sub Manufacturers and MRO sectors have recorded a significant easing in the level of premium increase reported by the Index at the end of the first half year.

In the case of Sub Manufacturers the renewal premium increases recorded in the first half year was driven by significant growth in projected sales. However, renewals during Q3 recorded much lower projected sales growth figure, averaging just 5%. Consequently reductions were achieved by all renewing programmes based again on excellent loss histories and a positive credit balance to the market.

MRO sector Q3 renewals project relatively flat sales estimates and premium reductions have been achieved but vary considerably. The experience of the first half year in this sector was adversely influenced by a number of major loss incidents that resulted in significant premium increases. However Q3 renewals with good loss history and modest growth achieved premium reductions. Underwriters are, however, maintaining a cautious approach towards this sector.

The Component Manufacturers sector remains the most difficult to report due to the wide variety of manufactured products insured. The market has generally applied rate on sales reductions throughout the year, which in most instances has resulted in premium reductions. However, where significant sales growth is projected and despite reduced rate on sales, premium increases have resulted. The Index at the end of Q3, reports a premium increase for this sector of 5%. This is due solely to the premium increase applied to an important renewal within the sector following involvement in a major loss incident.

The Electronic and Avionic sector renewals are being treated by underwriters in a similar way to the Component manufacturers.

The Index continues to record that all sectors have generally achieved premium reductions YTD, although exceptions exist where specific renewals have negatively influenced the overall position of a few sectors. The market remains more positive towards Manufacturers Products Liability than it does towards the Airline Sector.

GENERAL AVIATION MANUFACTURERS

This important sector is not well supported by the London market. The majority of underwriters have a negative view of the sector and usually decline to participate. Consequently, we do not include this sector in the Willis Manufacturers Index.

Net renewal premium in US\$, generated YTD end Q3 2008 has increased 8% compared with 2007.

Pricing is primarily based on unit delivery and is also Insured specific. This has resulted in year on year premium increases for some insured's in this sector.

The insuring markets that do participate are expected to maintain an extremely cautious approach to pricing for the remainder of 2008.

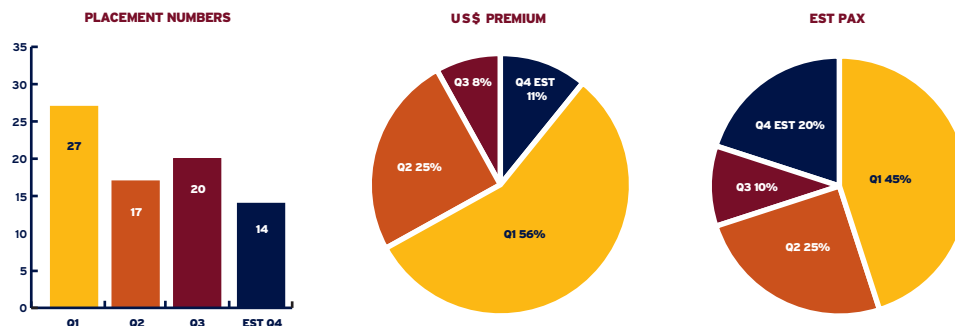
WILLIS AIRPORTS' INDEX Q3 2008

The Willis Index represents 93% and 98% respectively of the total airport premium and estimated passengers, excluding North America, market renewal activity during Q3 2008.

Twenty Willis Index programme placements renewed during Q3 2008. Based on 2007's Index this represents approximately 8% of the annual Index premium, 10% of estimated passenger numbers and in placement numbers 26% of the annual renewal activity.

Cumulatively, Q3 Index renewals have generated a net premium of US\$7m, a reduction of almost 12% compared with Q3 2007. Total estimated passenger numbers of 265 million are also 12% above 2007's projections, consequently the Willis Index produces a derived US\$ rate per passenger reduction of 21%.

AIRPORTS INDEX RENEWAL PREMIUM/ EXPOSURE DISTRIBUTION



2008 1ST-3RD QUARTER INDEX, 64 (4TH QUARTER 14) AIRPORT PROGRAMME PLACEMENT RENEWALS

EXCLUDES US & CANADIAN AIRPORTS. ALL CURRENCIES CONVERTED TO US\$ ROE AS AT JAN 1

AIRPORTS INDEX Q3 2008 RENEWAL CHANGE

REGION	PLACEMENTS	EST PAX	CHANGE	PREMIUM	CHANGE	RATE	CHANGE
EUROPE	2	18,448,248	7.1%	766,810	-12.1%	0.0416	-17.9%
FAR EAST	3	100,230,000	16.6%	1,584,973	-11.3%	0.0158	-23.9%
SOUTH AMERICAN-CARIBBEAN	5	51,209,287	10.8%	1,699,425	-15.77%	0.0332	23.9%
PACIFIC REGION	9	87,721,640	9.0%	2,607,876	-11.5%	0.0297	-18.8%
MIDDLE EAST	0	-	-	-	-	-	-
AFRICA	1	7,413,996	3.9%	1.6%	5.5%	0.0542	1.6%
OVERALL INDEX	20	265,023,171	11.8%	-21.1%	-11.8%	0.0266	-21.1%

With the exception of Africa all regions obtained double digit premium reductions and all have projected increased estimated passenger numbers, with the Far East again projecting the

highest percentage change. The size of premium and derived passenger rate reduction is slightly greater than that achieved in Q2 2008 indicating the continuing attraction to insurers of the class.

AIRPORTS INDEX YTD END Q3 2008 RENEWAL PREMIUM CHANGE

REGION	EST PAX CHANGE	NET US\$ PREMIUM CHANGE	NET US\$ RATE PER EST PAX CHANGE
EUROPE	7.1%	-1.0%	-9.2%
FAR EAST	16.6%	-9.0%	-22.0%
SOUTH AMERICA	10.0%	-13.2%	-21.1%
PACIFIC REGION	8.9%	-11.2%	-18.5%
MIDDLE EAST	16.8%	8.7%	-7.0%
AFRICA	-1.7%	-13.2%	-11.8%
OVERALL INDEX	11.1%	-3.2%	-12.8%

A review of Q3 2008 renewal experience and that of the whole of 2008 to date underlines the fact that insurers have grown more appreciative of the "Airport Book" and that competition amongst underwriters remains healthy.

We anticipate that with just 11% of the estimated annual airport premium renewing in Q4 the market will maintain the same approach as it has so far in 2008.

AIR NAVIGATION SERVICE PROVIDERS

A total of 8 programmes renewed during Q3 2008 which therefore ranks, in terms of premium volume, as the most significant renewal period of the year. Renewal premium generated totalled US\$13.5m: a reduction of 10% compared with the same renewal period in 2007, slightly greater than the 8% reduction recorded for Q2.

Exposure: projected aircraft movements, increased by 3.7% resulting in a derived US\$ rate per

movement of US\$1.09, a 10% reduction on Q3 2007, but slightly less than the 12.50% reduction recorded for Q2 2008.

As with the Airports sector the majority, 75% of the premium base for this sector, has been renewed by the end of the Q3. Again we anticipate no change in the market's renewal approach during Q4 of 2008.

CONTACT DETAILS

Steve Lodge
steve.lodge@willis.com
+44 (0)20 3124 7456

Steve Doyle
steve.doyle@willis.com
+44 (0)20 3124 7208

AIRPORT SERVICE PROVIDERS

Renewal activity for the year to date has resulted in a similar premium level as that of 2007. The sector is loss sensitive with most insured's carrying significant self insured retentions or

deductibles, a position Underwriters support as they seek to remove themselves from low cost attrition losses and focus cover towards major loss incidents.

MAPFRE JOIN GLOBAL AEROSPACE

Global Aerospace this month announced that Mapfre Empresas will be joining its underwriting Pool with effect from 1st January, 2009. Mapfre will be joining a panel alongside other long standing Pool members, Berkshire Hathaway Group, Munich Re, Tokio Marine Nichido and Mitsui Sumitomo.

Tony Medniuk, the group CEO of Global Aerospace, commented:

"We are delighted to welcome Mapfre as a member of our Pool for 2009. Mapfre is a world class company with particular strengths in

Europe and Central/South America. They will be an excellent partner alongside our current Pool members both commercially and culturally. I have every confidence that Mapfre will make a significant contribution to Global's future development in key economic areas.

The long term commitment of Global Aerospace to the overall aerospace industry is further strengthened and deepened by this important development".

Mapfre Empresas will have a 10% participation in the Global Aerospace Pool.

This is the Willis Aerospace Insurance Index our vehicle to keep our clients and others informed of developments in the aerospace insurance market.

We welcome any comments or suggestions you may have to improve this publication. All data and analysis within this newsletter includes all known information at the time of production and is based on the net lead terms and structure of the renewing insurance programmes monitored.

It is intended to highlight general issues which may be of interest and does not necessarily deal with every important subject nor cover every aspect of the subjects contained herein. If you intend to take any action or make any decision on the basis of the content of this publication, you should first seek specific professional advice and verify its content.

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The Willis Building, 51 Lime Street, London EC3M 7DQ Tel +44 (0)20 3124 6000. www.willis.com

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