

APRIL RENEWALS

April saw more renewals than the whole of the first quarter combined and generated nearly three times the volume of premium. The increase in size of the programmes renewing provides a greater level of certainty around both the projected industry exposures and the premium and rating increases being developed.

The second quarter of the year sees nearly five times the number of renewals and four times the premium of the first. The quarter and April in particular is therefore vital for underwriters in achieving their goal on continuing to secure premium increases despite the economic downturn.

Underwriters have achieved some success in securing single digit premium increases despite the fact that for the first time since February 2006 we have witnessed a reduction in both fleet value and passenger exposure projections. This downward shift, particularly in liability projections is so significant that it has influenced the projected passenger volume to be going backwards for the year as a whole. With the challenges being faced by the industry it seems that sadly this is a trend that is likely to continue.

The vertical differentials continue to close but with the leaders managing to improve their position a traditional, although compact, vertical structure is being maintained.

The largest renewal of the month is the British Airways Group's programme which offset a reduction in the exposure presented by British Airways with increased exposure from Lan Airlines who are included in the programme. This programme alone generates more premium to the airline insurance market than the entire first quarter.

In a move that goes against the trend of programme consolidation Aerolineas Argentinas separated from the Air Comet programme to renew separately following changes in the ownership of the airline. The exposures for the two programmes are larger than those of the single programme last year and the overall premium for the two represents a 12% increase.

The high level of losses seen in the first quarter did not continue during April. Although the value of losses remains high, the level of capacity in the market will ensure the market is measured in its demands for increased premium and the current trend seems set to continue for the foreseeable future.

HULL AND LIABILITY

NET Q4 2008 AND Q1 2009 % PREMIUM MOVEMENTS

2008	NO. OF RENEWALS	AFV % CHANGE	PAX % CHANGE	2007 NET PREMIUM US\$M	2008 NET PREMIUM US\$M	US\$M PREMIUM CHANGE	PREMIUM % CHANGE
OCTOBER	15	4.4%	-6.7%	67.8	78.0	10.3	15.2%
NOVEMBER	25	8.2%	2.8%	249.2	286.1	36.9	14.8%
DECEMBER	60	2.6%	-2.0%	723.8	749.5	25.7	3.6%
Q4 SUMMARY	100	0.7%	0.7%	1,040.8	1,113.7	72.9	7.0%
2008							
2009	NO. OF RENEWALS	AFV % CHANGE	PAX % CHANGE	2008 NET PREMIUM US\$M	2009 NET PREMIUM US\$M	US\$M PREMIUM CHANGE	PREMIUM % CHANGE
JANUARY	4	31.8%	14.1%	6.1	7.4	1.3	20.6%
FEBRUARY	3	57.3%	10.8%	3.8	4.6	0.8	21.1%
MARCH	4	11.7%	3.4%	17.0	20.5	3.5	20.9%
Q1 SUMMARY	11	25.0%	5.4%	26.9	32.5	5.6	20.8%
APRIL (TO DATE)	14	-1.0%	-7.6%	86.1	89.0	2.9	3.4%
2009 (TO DATE)	25	0.5%	-6.1%	113.0	121.5	8.5	7.5%
OCTOBER 2008 - APRIL 2009 (TO DATE)				1,153.8	1,235.2	81.4	7.1%

MARKET PERSONNEL CHANGES

WILLIS AEROSPACE

Willis are delighted to announce that upon completion of on-going contractual obligations Steve Ogden has agreed to join Willis Aerospace from Marsh. We believe Steve to be one of the most highly respected practitioners in our market and he brings to Willis a wealth of experience and expertise.

ASIA CAPITAL RE

Asia Capital Reinsurance Group Pte Ltd (ACR) has announced that Antoine Lamy will join its Aviation Team in Singapore, which includes aviation insurance veterans Hans Sandstrom and Peter Eigenmann. Antoine is well known in the aviation insurance market from his time in La Réunion Aérienne, Paris, France, as well as with Catlin Insurance Company in London. Antoine will assume his new responsibilities later this year on completion of his contractual obligations.

GLOBAL AEROSPACE UNDERWRITING MANAGERS

Global Aerospace Underwriting Managers announced in April that Tony Medniuk will be retiring as Group CEO and as a Director of the Company with effect from June 30, 2009. Tony was the architect for the creation of Global following the purchase of Associated Aviation Underwriters Inc. in the U.S. in 2000 and has been CEO of the Company and its predecessor entities since 1996.

Tony is a past Chairman of the London Processing Centre, The International Underwriting Association of London (IUA) and was a founder member of the London Market Reform Group (MRG). He is also a past President of the International Union of Aerospace Insurers (IUAI). We wish Tony well for a long and happy retirement.

Nick Brown, the Global Aerospace Chief Underwriting Officer, who has been with the Company for four years will, subject to the usual regulatory approvals, become CEO on Tony's retirement.

MARKET DEVELOPMENTS

On April 21, 2009, AIU Holdings announced several important steps toward accelerating its separation from its parent, AIG, and positioning the company as an independent, stand-alone property casualty and general insurance organisation.

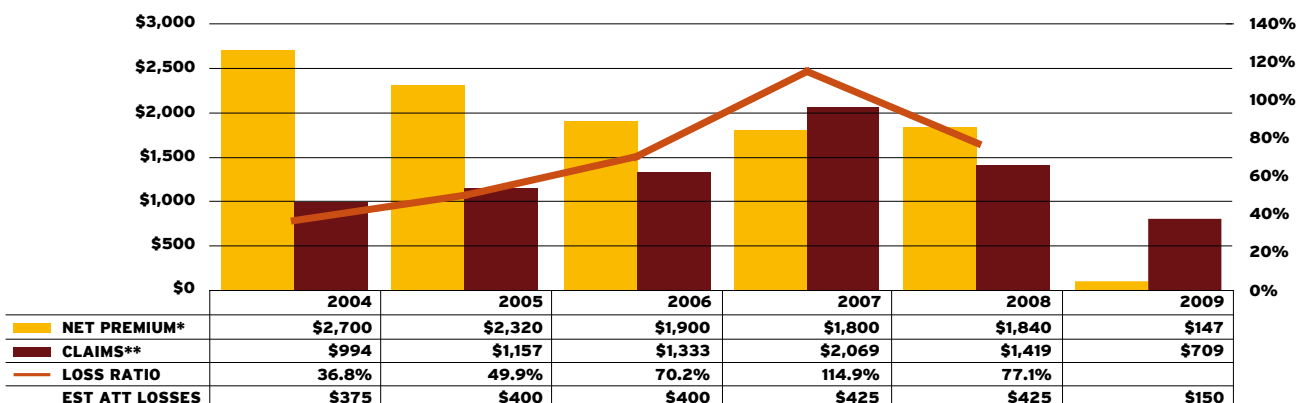
It was made clear that AIU Holdings' core businesses will include Foreign General Insurance, of which AIG UK Limited is a member company, as well as the US-based Commercial Insurance Group and the Private Client Group. Additionally, AIU Holdings' interests in ILFC, United Guaranty and Transatlantic will be purchased by AIG and that in combination with the pending sale of 21st Century, that these transactions will further improve the quality of AIU Holdings' capital position and move AIU Holdings to greater independence. It was also stated that this move has no impact on the day-to-day business and their ability to pay claims.

The actions provide greater certainty about the future by moving AIU Holdings into a separate legal entity with a separate asset and liability structure and will help prepare the balance sheet for separation. In addition, by replacing some of AIU Holdings' investments in other AIG companies with cash and other high quality investments, AIU Holdings will benefit from more favourable capital treatment for Risk Based Capital and rating agency modelling.'

WORLD WIDE AIRLINE HULL AND LIABILITY PREMIUM AND CLAIMS 2004 - 2009 (NET LEADERS TERMS US\$M)

AS AT MAY 2009

5 YEAR TOTALS (2004 - 2008)
 PREMIUM: US\$10,560M
 CLAIMS (INC ATTRITIONAL): US\$6,969M
 PROFIT TO THE MARKET: US\$3,3591M
 LOSS RATIO: 66%



* PREMIUM INCLUDES ALL KNOWN AIRLINES AND AN ESTIMATE FOR UNTRACKED AIRLINES, AND IS BASED ON GROSS LONDON LEAD TERMS; IT IS SUBJECT TO CHANGE AS MORE INFORMATION BECOMES AVAILABLE
 ** CLAIMS ON EXPIRED YEARS INCLUDE THE ESTIMATED FIGURE FOR ATTRITIONAL LOSSES

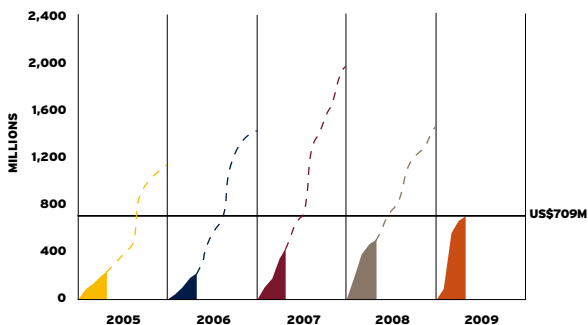
LOSSES UPDATE

Despite a run of major losses in the first quarter of the year the industry safety record appears to be moving back on track over the last few weeks. The loss levels have not deteriorated dramatically and the potential remains for the year to return to a no worse than an average position by the end of the year.

The current loss figure for 2009 is US\$709 million, composed of US\$193 million hull, US\$366 million liability and a pro-rata figure of US\$150 million in respect of attritional losses. This figure does not include reserves from some recent losses that are still to be confirmed and will therefore add to this total.

The first quarter of 2009 featured a number of high profile losses, which contributed to a significantly higher loss position at the end of March than in previous years. In fact, the first quarter of 2009 has currently incurred the most in terms of loss reserves since 2000. However, following the Federal Express loss on March 23, the remainder of March and April have been relatively quiet in terms of loss frequency and severity.

CUMULATIVE MONTHLY INCURRED RESERVE DEVELOPMENT (USD)



Please note the loss reserve development only contains known liability reserves.

Recent incidents of significance are detailed below:

On March 28, a Jet4you Boeing 737-400, registration CN-RPC, was damaged during tow at Casablanca International Airport, Morocco. The aircraft reportedly rolled forward into the back of the tug after the tow bar failed.

On arrival at Beijing International Airport, China, on April 4, an Air China Airbus A321, registration B-6556, experienced a tailstrike during a heavy landing. After initial runway contact the aircraft reportedly bounced before touching down hard resulting in the tailstrike. The pilots then initiated a go-around before performing a safe landing at the second attempt. There were no injuries to the passengers and crew.

Under unknown circumstances a SA Airlink, Avro RJ100, registration ZS-ASW, jumped its chocks at Johannesburg International Airport, South Africa, on April 8. The aircraft ran forward across the ramp, onto a grassy area, through a perimeter fence before impacting a brick wall. There were no reported injuries from the incident.

On April 9, a BAE Systems 146-300, registration PK-BRD, operated by Aviastar Mandiri, crashed on Gunung Pike Mountain on approach to Wamena Airport, Indonesia. The aircraft came down approximately 7km short of the runway killing all seven crew members on board.

An ATR42-500, registration YR-ATA, operated by Tarom, encountered multiple bird strikes approximately 10 minutes from landing on approach to Iasi Airport, Romania, on April 17. One bird, possibly a stork, penetrated the nose leaving a large hole. The pilots continued to Iasi where the crew performed a normal landing.

On April 18, a Royal Air Maroc Boeing 747-200, registration CN-RME, was damaged during ground engine test runs at Casablanca International Airport, Morocco. The aircraft suddenly ran forward through an airport fence until it came to rest on uneven terrain. No injuries reported. The aircraft has been stored at the airport for a number of years but was held operational as a reserve aircraft.

On arrival at JFK International Airport, New York, USA on April 20, a Boeing 767-300ER, registration CN-RNT, operated by Royal Air Maroc experienced a hard landing. According to reports the aircraft suffered damage to the forward fuselage in the form of large skin cracks. None of the passengers and crew sustained injury during the landing.

A Boeing 737-200Adv, registration XA-MAF, operated by Magnicharter landed at Guadalajara Airport, Mexico, on April 27, with its undercarriage retracted after the crew were unable to lower it on approach. A safe 'gear-up' landing was performed. When the aircraft came to a stop a fire in the left engine erupted, but was quickly extinguished by the airport fire service. All the 108 passengers and eight crew evacuated the aircraft safely.

Whilst operating a cargo flight on April 29 from Bangui, Central African Republic to Harare, Zimbabwe, a Boeing 737-200Adv, registration TL-ADM, operated by Bako Air, crashed under unknown circumstances. The aircraft came down near Massamba Village in the Bandundu Province, Dem Rep of Congo, killing all seven crew members.



MAY RENEWALS

AIRLINE	RENEWAL DATE	AFV US\$M
EASY JET AIRLINE	1-MAY-09	4,827
TRANSAERO AIRLINES	1-MAY-09	1,302
TAROM	1-MAY-09	452
PORTER AIRLINES	1-MAY-09	179
SAGA AIRLINES	9-MAY-09	131
SUNWING AIRLINES	10-MAY-09	328
PRIMERA AIR	14-MAY-09	292
VIRGIN ATLANTIC	14-MAY-09	4,921
VIRGIN BLUE	14-MAY-09	3,123
VIRGIN AMERICA	14-MAY-09	1,174
VIRGIN NIGERIA	14-MAY-09	137
RYAN INTERNATIONAL	15-MAY-09	381
AIRBLUE	18-MAY-09	183
VUELING AIRLINES	19-MAY-09	793
AUDELI	29-MAY-09	279

May sees a handful of major renewals. The size, sectors and geography in which the airlines renewing operate continues to give underwriters a good view of the global landscape. There is undoubtedly some momentum being built by insurers and they are seeing the premium base develop, albeit probably slower than they would like.

There are again a small number of programmes that will influence the market averages, however with the fortunes of the major airlines being similar there is an increasingly consistent trend. The number of renewals taking place in May will likely be diminished due to programme consolidation as the pursuit of group purchasing options and savings continues.

Savings through the utilisation of a larger programme purchasing option can be significant and in these challenging times this option, where available, is becoming increasingly attractive.

It is anticipated that Vueling Airlines (Spain) will join the Iberia Group programme at the natural expiry of its 2008 policy during May. Additionally Air Jamaica has extended its expiring policy and will renew in October.

The Virgin Group of Airlines will act a further barometer of industry fortunes across the globe. With a mixture of wide-bodied long haul and low cost short haul airlines and exposures the group will represent a good indicator of the impact of the economic downturn. As airlines that have grown rapidly within the last few years the current position compared to estimates and projections will focus the minds of underwriters on the challenges they may increasingly face.

European low cost carrier easyJet is another significant renewal that has demonstrated consistent growth and it will be interesting to see how the developing premium and credit balance for this sector of the industry will be treated by underwriters.

After enjoying a boom period for a number of years the airline industry is now faced unprecedented challenges. After the impact of oil prices, the economic downturn, the airline industry is now dealing with the threat of further reduced traffic due to a possible Influenza Pandemic. With the level of technical knowledge and actuarial input that now permeates aviation insurance it seems ironic that the big issues with most impact are way beyond the control of either buyer or insurer.

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