

AIRLINE RENEWALS

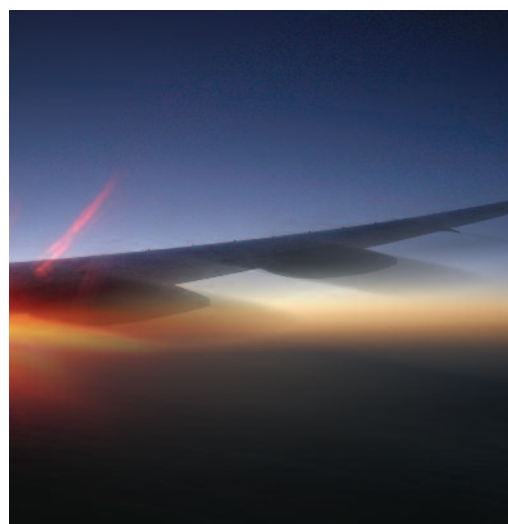
April is the first month of the annual renewal calendar with any significant volume of renewal activity or premium. There were 20 programmes of varying size, type and experience renewed and the low level of activity in the first quarter has left people waiting to see what will happen to these renewals to properly gauge market attitude.

The activity included British Airways, the largest renewal in the first six months of the year. This gave an opportunity to see how insurers treated a programme that suffered a total loss of a B777 in January.

Thus far April has generated over US\$93m in premium, an increase of 10%. This premium increase is primarily a consequence of three of the months other large renewals, Air Berlin, Hainan Airlines and Jet Airways seeing substantial exposure increases, that resulted in total fleet and passenger exposure growth in excess of 30%. This would indicate that despite losses for the year to date exceeding US \$400m that double digit percentage reductions in rate have been negotiated as insurers continue to concentrate on premium income.

There are however continued moves by following markets to close any pricing differentials from lead terms and as a result the actual premium change for airlines will be different than the market average may portray.

There have been some changes to the renewal profile of April with Air Jamaica, previously scheduled to renew during April, extending its expiring period by 30 days to renew on 1 May. Kingfisher Airlines (India) has also extended its period of insurance and will now renew at the end of May. Additionally TUI, one of the larger



programmes to renew in April 2007, was cancelled and replaced in November, following the purchase of First Choice Airlines earlier in 2007. Going against recent trends for programme consolidation, SriLankan Airlines, having left the Gulf Cooperation Council programme, renewed in April and somewhat offsets the removal of the other airlines. This programme is not included within our percentage change figures to avoid distortion.

The total of premium generated in 2008 is US \$128m, an increase of 9%; however the level of premium generated since the start of the current renewal cycle at 1 October, 2007, is US \$1,230m, a reduction of 8%.

HULL & LIABILITY

GROSS 4TH QUARTER 2007 AND 2008 % PREMIUM MOVEMENTS

2007	RENEWALS	AFV % CHANGE	PAX % CHANGE	2006 PREMIUM US \$M	2007 PREMIUM US \$M	PREMIUM % CHANGE
OCTOBER	13	13%	13%	57.92	53.17	-8.2%
NOVEMBER	21	14%	14%	331.37	303.51	-8.4%
DECEMBER	50	5%	7%	827.36	744.67	-10.0%
Q4 SUMMARY	84	8%	9%	1,216.7	1,101.4	-9.5%
2008	RENEWALS	AFV % CHANGE	PAX % CHANGE	2007 PREMIUM US \$M	2008 PREMIUM US \$M	PREMIUM % CHANGE
JANUARY	3	42%	69%	3.7	4.8	29.5%
FEBRUARY	4	27%	26%	5.0	5.7	14.1%
MARCH	5	78%	1%	24.5	25.1	2.6%
Q1 SUMMARY	12	15%	3%	33.2	35.6	7.3%
APRIL (TO DATE)	13	22%	16%	84.2	92.8	10.2%
2008 TO DATE	25			117.4	128.4	9.4%
OCT 07 -						
APRIL 2008 (TO DATE)	109			1,334.1	1,229.8	-7.8%

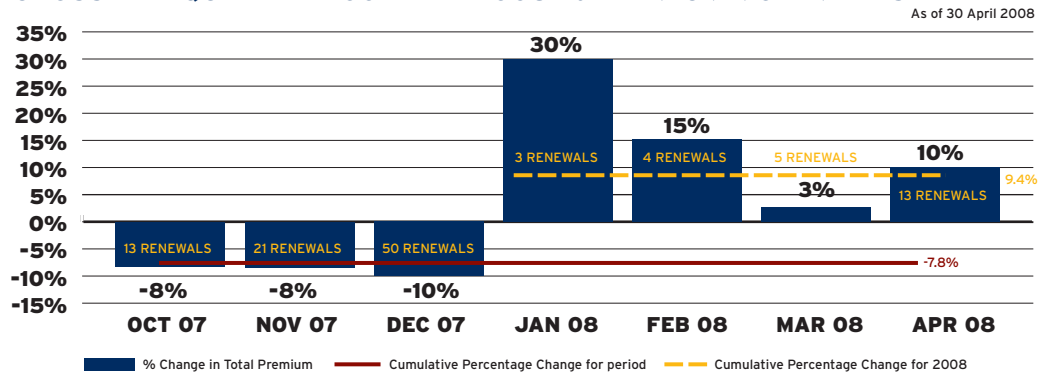
1ST QUARTER REVIEW

The 1st quarter generates a small volume of renewals and premium compared to the other three quarters and represents just 7% and 1% of the respective annual totals. The premium total increased by 7%, with fleet values growing by 15% and passengers by 3%. Half the renewals of the quarter took place in March, making it the dominant month of the quarter and generates five

times more premium than seen in January and February totalling US\$25m a 3% increase in premium on a like-for-like basis from last year. This low level of activity means that the market average figures for each month and the quarter as a whole are greatly influenced by any significant changes in individual renewals rather than overall market trends.

HULL & LIABILITY

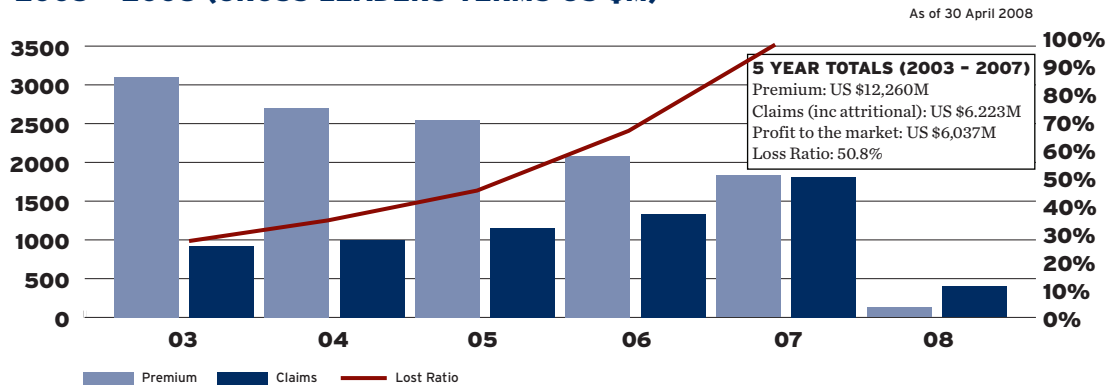
GROSS 4TH QUARTER 2007 AND 2008 % PREMIUM MOVEMENTS



LOSSES UPDATE

The current loss figures for 2008 is US \$416m (including a pro rata figure of US\$142m in respect of attritional losses), this figure does not include reserves from some recent losses that are still to be confirmed. This is US\$36m worse than at the same time last year.

WORLD WIDE AIRLINE HULL & LIABILITY PREMIUM & CLAIMS 2003 - 2008 (GROSS LEADERS TERMS US \$M)



Recent incidents that may result in significant reserves are detailed below.

9 APRIL

Airtex Aviation, Fairchild Metro III, VH-OZA, near Bundeena, Australia. The aircraft crashed shortly after take-off from Sydney Airport. The pilot, the only occupant, was killed in the accident. The pilot had earlier reported a minor technical problem before disappearing from radar shortly after.

14 APRIL

Hewa Bora Airlines, Boeing (McDonnell-Douglas) DC-9 - 51, 9Q-CHN, Birere / Goma International Airport area, DR Congo. The aircraft was unable to stop during an aborted take-off run. It ran beyond the

airport boundary into the nearby village of Birere before it broke apart and caught fire. The aircraft collided with buildings before coming to rest in a crowded market street. Twenty five of the 85 passengers and crew onboard were killed along with another 19 ground fatalities.

22 APRIL

Carpatair, BAE Systems 146 - 200, YR-BEB, Bucharest International Airport, Romania. After landing in high winds and heavy rain the aircraft skidded off the side of the runway before coming to rest on grass. The left main undercarriage collapsed causing unknown damage to underbelly and landing gear. All on board were able to leave the aircraft without serious injury. The aircraft is currently on wet-lease from Romavia.

MARKET NEWS

WILLIS LAUNCHES GROUNDBREAKING CARRIER BENCHMARKING TOOL

Clients of Willis will now have access to the world's first carrier benchmarking tool, the Willis Quality Index®. Aimed at helping clients make more informed insurance decisions, the new tool will rate and compare carriers on their performance in underwriting, policy administration, claims performance and service activities.

After two years in development and four carrier evaluation surveys gathering qualitative opinions from nearly 4,000 Willis Associates across the globe, the Willis Quality Index has been designed to help clients identify carriers that best meet their individual needs, on a risk-by-risk basis. The Willis Quality Index recognises that a client's needs and priorities may vary by risk profile and therefore compares only carriers within a specific sector, under the guidance of accredited Willis Client Advocates® and Account Executives.

Commenting on the launch, Joe Plumeri, Chairman and CEO of Willis, said: "The Willis Quality Index is the ultimate buyer's guide. It cuts through all the pre-conceived notions of buying the cheapest insurance

deal and helps clients select the best partners based on superior performance. By working in partnership with carriers, sharing information from the Willis Quality Index relevant to them, we can together help raise industry standards."

LLOYD'S ANNOUNCES £3.8 BILLION PROFIT FOR 2007

Lloyd's this month announced a profit before tax of £3,846 million (2006: £3,662m) with a combined ratio of 84.0%. Commenting on the results, Chairman of Lloyd's, Lord Levene, said "Lloyd's benefited from a limited exposure to catastrophes but this has resulted in increased pressure on rates across all lines of business. The need to exercise underwriting discipline and maintain a focus on underwriting for profit rather than market share remains essential."

NETWORK RISK INSURANCE

Today's web based technology and extensive public and private computer networks afford airlines and their customers more speed and convenience than ever before. These benefits along with a reliance and familiarity with such technology can however lead to a blase approach to the new and complex risks involved. Being careless with information can be as damaging to an organisation as being careless with money with organised professional criminals making targeted attacks to steal data for illicit profit an increasing reality.

With airline web generated revenues running at millions of dollars per hour and recent examples of human error illustrating the numerous financial and reputation risks that airlines face through interacting with their customers over the web computer network risk continues to be high on the agenda of airlines.

New network related risks include but are not limited to human error, computer security breaches, information theft, extortion and business interruption due to viruses, worms, malicious code or hacker attacks and identity theft. As a result many organisations are assuming far higher levels of financial risk than they realise or are willing to accept. The insurance industry has responded to these needs with a range of insurance products

designed to protect against these perils as most traditional insurances simply do not cover these risks. Gaps and exclusions in property, liability, professional, crime and executive risks policies means that network and cyber risk insurance must be in place to ensure protection.

The Willis CyPro Cyber Asset Protection Insurance cover has been specifically developed to help clients reduce their exposure to risks associated with technology use and incorporates a standalone First Party non-damage Business interruption cover. Cover is available for the following exposures: recovery costs, business interruption loss where no physical damage to the system has occurred, human error, full virus protection, outsource partners, financial assistance for reputation damage mitigation.

Willis can assist in defining your risks, understanding your exposures and tailor a specific risk management and insurance programme to fullfill that responsibility. Cyber issues are mutli disciplinary with each component having its own risks and Willis believe our approach produces the co-ordinated and comprehensive response required.

MAY RENEWALS

NAME	INCEPTION	EXPIRING AFV US\$m
TAROM	01-MAY	349
TRAVEL SERVIS SPOL	01-MAY	372
TRANSAERO AIRLINES	01-MAY	532
EASYJET	01-MAY	4,578
AIR JAMAICA	01-MAY	938
JETX	07-MAY	188
SUNWING AIRLINES	10-MAY	251
ALMA	11-MAY	245
VIRGIN ATLANTIC	14-MAY	5,187
VIRGIN BLUE	14-MAY	2,293
VIRGIN AMERICA	14-MAY	498
VIRGIN NIGERIA	14-MAY	153
RYAN INTERNATIONAL	15-MAY	496
AIRBLUE	18-MAY	194
VUELING AIRLINES	19-MAY	943
KINGFISHER AIRLINES	30-MAY	1,400

Renewal activity in May shows a reduction on April, with 16 risks scheduled to renew. There remains interest in the activity this month however as the size and diversity of the programmes continues to be significant.

The Virgin group of airlines, an aligned package including, Virgin Atlantic, Virgin Blue, Virgin America and Virgin Nigeria form the largest 'programme' placed in May, with a combined expiring AFV in excess of US\$9billion.

Low cost carrier Easyjet is a major renewal that should provide some idea of the treatment that airlines with significant growth and good loss records will enjoy.

In 2007, May generated approximately 3% of the annual premium total, this should increase in 2008 with Air Jamaica and Kingfisher Airlines extending their policies to renew during May for the first time. Vueling Airlines renews later in May and continues to be in potential merger discussions which may see it renew in May for the last time.

As changes to the annual renewal profile and the industry challenges continue, it will be interesting to see how significant the changes are in the make up of some of the market's largest programmes. The likelihood of further industry failures and consolidation continuing and potentially escalating between now and year end, could materially change the renewal landscape.

Despite the focus of underwriters on maintaining premium volumes at renewal there will be substantial premium erosion with in excess of US \$25m already disappearing as a result of the industry climate. Those that survive will potentially be asked by insurers to pay more in an attempt to secure a viable market premium volume.

This is the Willis Airline Insurance Insight, which is our attempt to keep our clients and other informed of developments in the airline insurance market. We welcome any comments or suggestions you may have to improve this publication. Please contact airline.insight@willis.com. All data and analysis within this newsletter includes all known information at the time of production and is based on the gross lead terms of airline insurance programmes renewing with fleet values in excess of US \$100million. The analysis does not take into account any coverage changes and is not weighted in relation to the size of the programmes exposure or volume of premium paid. Loss information includes western built equipment with our attritional loss threshold being below US \$1million.

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 bulletin, you should first seek specific professional advice and verify its content. Copyright Willis UK & Ireland 2008. All rights reserved.



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