

MARKETPLACE REALITIES & RISK MANAGEMENT SOLUTIONS

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- Conditions vary by sector:
 - **Airlines - The market is softening**, with some reductions, but premium increases are now in the low single digits, down from 20% in Q4 2009. Reductions, however, are expected to increase as the final quarter progresses.
 - **Aerospace - Single-digit premium reductions continue** for the manufacturers who dominate this sector.
 - **Corporate Aviation - Significant capacity is bringing reductions.**
- **Significant capacity in the Aerospace market** as a whole is driving the downturn in premium. With a recent spike in loss incidents, airline losses are predicted to once again exceed \$2 billion for 2010, extending a **run of loss-making years for underwriters.**
- **Ongoing consolidation in the airline industry** will further reduce the number of buyers and shape many market programs in Q4 renewals, when most airline renewals occur.
- Economies of scale mean **lower premium increases for the top 50 airline programs.**
- **Airline insurance market results depend on the final six weeks of the year.** With the combination of excess capacity and increasing losses it remains to be seen if underwriters can halt the softening or if buyers will continue to have the upper hand.
- **Industry and, therefore, exposure growth is now being predicted** by most aerospace sectors and geographies.

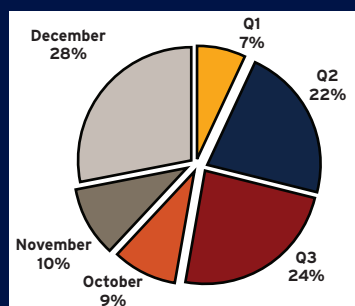
PRICE PREDICTIONS

AIRLINE:
-5% to +5%

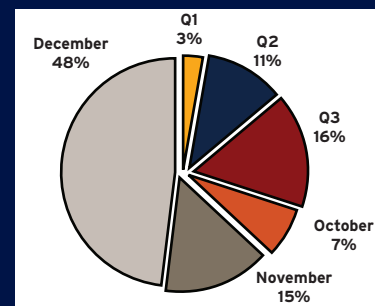
AEROSPACE:
Flat to +10%

AIRLINE RENEWAL PREMIUM DISTRIBUTION

Renewal Distribution % Share



Premium Distribution % Share



For programs with an AFV in excess of US \$100M

CONTACTS

Steve Doyle | Business Development and Sales Director, Aerospace | +44 203 124 7208 | steve.doyle@willis.com

Garrett Hanrahan | CEO, Willis Aerospace North America | +1 972 715 6390 | garrett.hanrahan@willis.com