



1ST QUARTER 2010

In marked contrast to the fourth quarter of 2009 which saw in excess of 100 risks renew generating more than US\$1,350 million in premium; the first quarter of 2010 is likely to see less than 20 risks renew.

In 2009 the quarter generated US\$40 million in premium which represents less than 2% of the year's premium income. With Blue Wings (Germany) ceasing operations and other programmes being incorporated into larger programmes (Bahrain Air & Wataniya Airways), although this is offset by the Air Transat renewal having extended its previous policy and now renewing in March for the first time, however it is likely that this share will decrease slightly in 2010.

The lack of renewal activity makes it difficult to draw any realistic conclusions, however it would appear that insurers are still being successful in their attempts to increase premium levels. For 2010 to date, premium is showing an increase of 24%, although the level of premium generated currently totals just US\$13 million from six renewals. There has been some volatility in exposures with Average Fleet Values increasing by 19% although passenger numbers have fallen by 11%. This has resulted in rates increasing at comparable levels to those seen in the fourth quarter of 2009.

LOSSES

The level of loss frequency in at the start of the year has remained low; however in a further illustration of the catastrophe nature of the business the market has already incurred a significant loss. The January 25, crash of an Ethiopian Airlines B737-800 into the Mediterranean Sea, off the coast of Lebanon killing 82 passengers and 8 crew members has resulted in a significant reserve.

The current loss figure for 2010 is US\$188 million, including a pro-rata figure of US\$75 million in respect of attritional losses.

HULL AND LIABILITY 2010

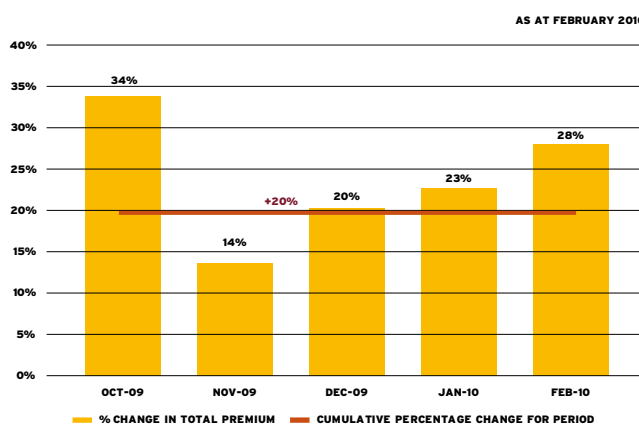
MAJOR AIRLINE LOSSES (IN EXCESS OF US\$10M)

DATE OF LOSS	OPERATOR	AIRCRAFT TYPE	LOCATION	PASSENGER FATALITIES
25-JAN	ETHIOPIAN AIRLINES	B737-800	IN MEDITERRANEAN SEA, OFF COAST OF NAAMEH, LEBANON	82

With the fourth quarter generating in excess of 70% of the annual premium in 2009, many in the market believe that the '2009 Cycle' commences on October 1, below we illustrate the percentage premium movements generated since October 2009. The premium generated since October 2009 totals US\$1,379 million, an increase of 20% compared to the previous comparable period. As would be expected, December generates the largest volume of premium in the past five months.

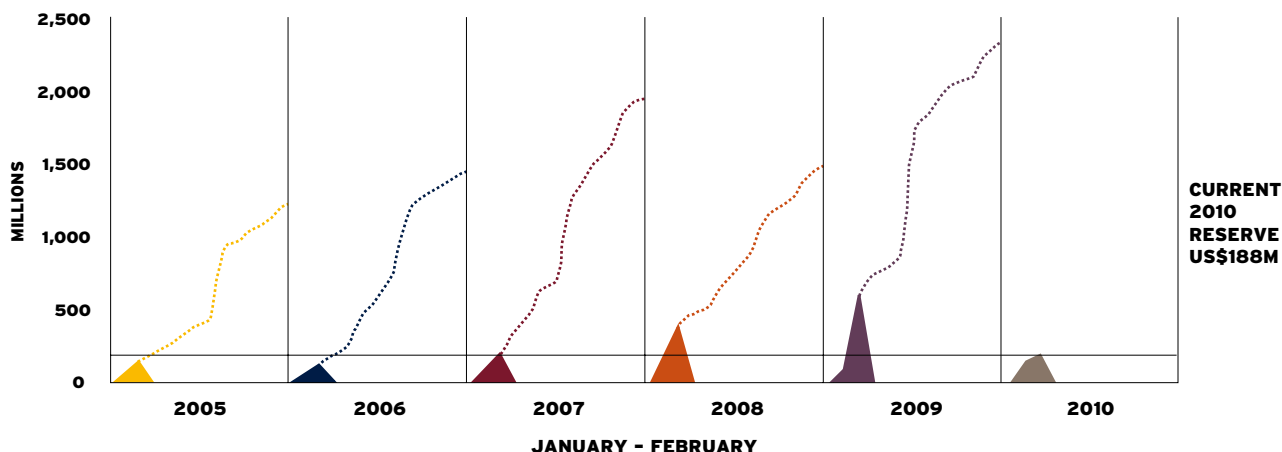
HULL AND LIABILITY

Q4 2009 AND 2010 NET % PREMIUM MOVEMENTS



LOSSES (CONTINUED)

CUMULATIVE MONTHLY INCURRED RESERVE DEVELOPMENT (USD)



FORTHCOMING RENEWALS

AIRLINE	RENEWAL DATE	EXPIRING AFV US\$M
SILK WAY AIRLINES	1-MAR-10	122
SUDAN AIRWAYS	1-MAR-10	104
STC RUSSIA	6-MAR-10	810
AIR TRANSAT	14-MAR-10	619
FREE BIRD AIRLINES	14-MAR-10	201
IRAN AIR	21-MAR-10	605
ORENBURG	24-MAR-10	124
NASAIR	25-MAR-10	446
BANGKOK AIRWAYS	28-MAR-10	567

The low level of renewal activity continues into March, with only nine risks scheduled to renew including Nasair (Saudi Arabia) which has extended its programme from January. Air Nostrum, previously March's and the quarter's largest risk in terms of exposure, has continued the trend of programme consolidation and is now part of

the Iberia programme which renews in December. March will still generate by far the largest volume of premium in the first quarter, as a consequence of the Iran Air and Sudan Airways renewals which, because of recent poor loss records, both pay significant volumes of premium.

We would advise caution when looking at the monthly percentage change figures during the first quarter. The small number of renewals and their relatively small size, means it is easy for one renewal to distort the overall figures for a month or even the whole quarter.

There are 20 risks scheduled to renew in April, including British Airways (including the Lan Group & Aer Lingus), Hainan Airlines & Jet Airways who are amongst the worlds largest programmes. It will therefore be early April before any realistic data will emerge concerning the treatment that these larger renewals are receiving from insurers.

CONTACT DETAILS

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

Brad Ottolangui
Tel: +44 (0)20 3124 8122
Email: ottolanguibg@willis.com

Kelly Crudgington
Tel: +44 (0)20 3124 7377
Email: kelly.crudgington@willis.com

Gemma Li
Tel: +44 (0)20 3124 6555
Email: lig@willis.com

airline.insight@willis.com

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