



JLT Aerospace



PLANE TALKING

APRIL 2009

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Executive Summary

Slow Growing ...or not at all?

- Exposure growth has been arrested and reductions in passengers and average fleet values are becoming the norm.
- The pressure to grow, or at least maintain, premiums continues. However, despite general rate increases, the reducing exposures are often frustrating these attempts.
- Capacity is generally more than adequate.
- Reinsurance pricing levels are holding up.
- Recently there has been heightened activity in the movement of personnel throughout the market

Editorial

If you have any comments or suggestions or you know anyone who would like to be added to our mailing list or your email address changes, please advise by emailing details to: lucy.potter@jltre.com

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“ The air transport sector is well aware that it has a front-line profile when the spectre of global pandemic raises its head – as demonstrated by the experience of SARS in 2003.

The safety and well-being of the travelling public are always uppermost in our minds. AEA carriers are Europe's leading network carriers and well prepared to handle health crises. The aviation sector has established guidelines on how best to deal with health risks; they were developed by ICAO, in consultation with WHO.

Like other regional airline associations, we support the leadership being shown by WHO in coordinating the global response to the current [swine flu] outbreak. This requires, as it is being done, an ongoing evaluation of the risk of a more serious global pandemic. We note that WHO has to date recommended no restriction of international travel, and no closure of borders. Needless to say, passengers will make informed decisions, provided that there is open and transparent communication of accurate information; they will evidently seek orientation by turning to the website of WHO.

”

Airline Industry News

With passenger traffic expected to fall by more than 5% this year, the effect on existing and proposed fleets is now being felt throughout the industry. Although the major manufacturers are still producing a high level of output due to existing orders, adjustments are having to be made to fall in line with the decline in aircraft demand.

A collapse in sales has pushed Airbus and Boeing's combined orders into single figures. Total net orders for the first quarter stood at four aircraft compared with 683 that were accumulated during the same period last year. Airbus managed to secure eight net sales after adjustment for 14 cancellations. Boeing fared worse with a net order tally of minus 4 after its 28 new sales were offset by 32 cancellations - all of them being 787s.

From a production point of view, Boeing's output showed a post strike improvement with 121 deliveries putting it ahead of Airbus with 116. Boeing is now expected to achieve total deliveries of over 480 units by the end of the year. The combined backlog of orders has begun to contract, falling by about 3% from the 2008 total to 7,196 aircraft.

Because of the present overcapacity, the number of aircraft parked and available for sale or lease has increased and their values are declining. There are signs that older generation aircraft will be permanently removed from service such as Boeing 737 classics and MD80s. It was reckoned that around 1,400 aircraft were parked at the end of February, 49% more than 12 months earlier.

EU Blacklist

The European Commission has banned all eight airlines from the West African nation of Benin from flying to Europe because of their poor safety record. It also added six carriers from Kazakhstan and one each from Thailand and the Ukraine. The new blacklist contains 194 airlines, mostly from Africa that have been deemed by the EU not to meet international safety standards.

The list also imposes a total ban on airlines based in Equatorial Guinea, Kyrgyzstan, Liberia, Sierra Leone, Swaziland, the Democratic Republic of Congo and most airlines in Gabon.

Start ups

- Axiom Air, Nigeria, is planning to launch cargo and VIP charter services with B737QC and executive jet equipment
- British West African Airways (BWAA), UK, is proposing to take over the former Silverjet terminal at London Luton Airport to provide business class only, long-haul flights between Luton and Lagos, Nigeria
- Flydubai, Dubai, is a budget carrier that plans to launch services using B737-800s to Beirut and Amman
- Fuji Dream Airlines, Japan, is planning to start operations in July using two E-170s to provide services

between Mt Fuji Shizuoka Airport and Komatsu, Kumamoto and Kagoshima

- IMD Airways, Spain, is offering worldwide ad hoc and VIP charters, ACMI and wet-leasing services with a single MD87
- Rio Linhas Aereas, Brazil, is planning to launch cargo services from Curitiba using a B727-200
- Strategic Airlines, Australia, has signed a letter of intent for two A320s to provide domestic and regional charter services
- Syrian Pearl, Syria, is expected to begin regional services between Damascus and Aleppo, Deir Ez Zoor, Al-Qamishli and Latakia using two BAe 146-200s
- Trawel Fly, Italy, is planning to start charter services from Milan to Catania, Crete, Heraklion and Rhodes in Greece using a B737-300

And Closures

- German schedule and charter airline Blue Wings has suspended flights after hitting financial problems. The Dusseldorf based operator which launched services in 2003 had a fleet of nine Airbus A320s and had a further 20 on order.

Orders

There were no really significant orders this month. An optimist would say the manufacturers are saving their announcements for the Paris Air Show in June.

A milestone delivery occurred on 16th April when Boeing handed over the 6,000th model 737. This aircraft was ordered by ILFC and was delivered on lease to Norwegian Air Shuttle. Boeing still have an order book for a further 2,200 737s! Of the 6,000 delivered, more than 4,700 are still in service with another 600 currently parked. Only 405 have been retired and 139 destroyed.

As a result of the economic conditions, Boeing have adjusted their production plans for 2010 with a reduction in the model 777 build from 7 to 5 aircraft per month.

Insurance Market News

There have been no significant credit rating changes through April for any of the preferred aviation insurance markets and their capacity remains intact.

Arrivals and Departures

- Tony Medniuk will be retiring as Group CEO of Global Aerospace. Nick Brown, who is currently Chief Underwriting Officer, will become CEO
- Antoine Lamy is joining the Asia Capital Re aviation team in Singapore from Catlin, London
- Barry Henley and Phil Gregory are starting short term contracts at XL
- Simon Murray, Andrew Innes and James Owen are leaving Catlin to join XL

Renewal Analysis

Exposures

Hull fleet values continued to show a modest reduction as new equipment continues to arrive to offset any grounding or lay-ups. Passenger numbers, however, are reducing at a faster pace in reaction to the world-wide economic conditions.

Premiums*

Even with today's ample capacity, underwriters are pushing for an increase in premiums with some success, however, as we would expect, premiums have followed exposures down and are very much based on this criteria.

Year to Date (Like for Like)	Hull US\$ M	Liability US\$ M	Total US\$ M
2008	42.98	88.01	131.00
2009	46.17	78.33	124.49
% Change	7%	-11%	-5%

*Net of brokerage and at lead terms

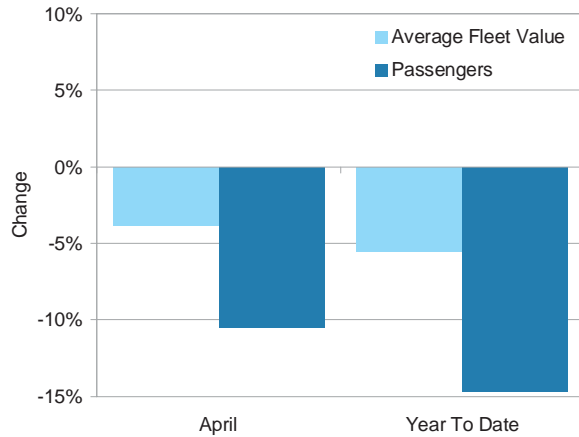
Rates

The hull and liability rating generally continues to track upwards in order to maintain premiums whilst exposures are decreasing. There are one or two exceptions suggesting a pragmatism in underwriters' view of some airline renewals.

Year on Year % Exposure Change

APRIL / YEAR TO DATE

Based on Latest Information at 27th April 2009

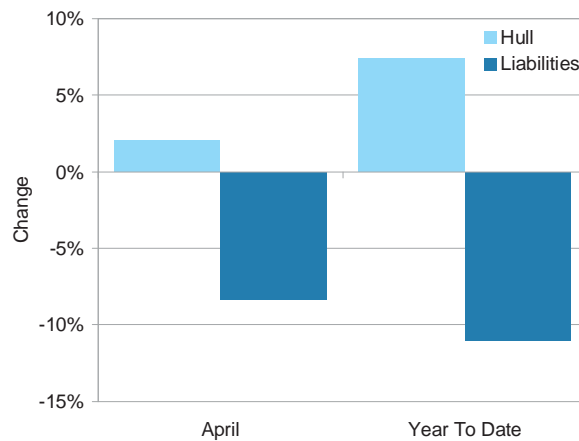


Source: JLT database

Year on Year % Premium Change

APRIL / YEAR TO DATE

Based on Latest Information at 27th April 2009

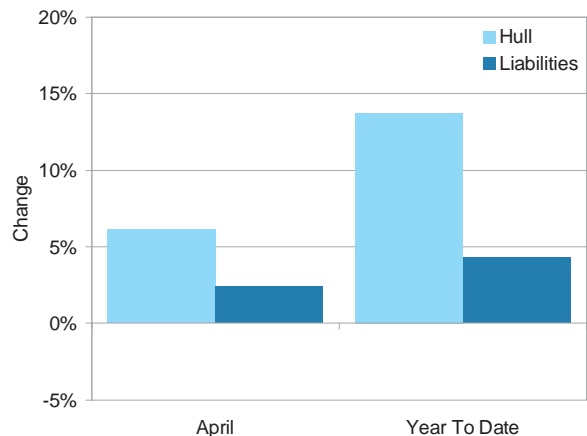


Source: JLT database

Year on Year % Rate Change

APRIL / YEAR TO DATE

Based on Latest Information at 27th April 2009



Source: JLT database

Losses Summary

	Hull Losses US\$M #	Fatalities #	Liability Losses (JLT Estimate) US\$M	Total US\$M
March	93.32	13		93.32
April	4.95	6		4.95

NB The JLT liability estimates are provided merely as a guide

Based on latest known information

April Known Losses of Note

Date	Airline	Aircraft	Location
6th	Indonesian Air Force, Deraya Air Taxi, Batavia Air, Merpati	F-27 (A-2703), 737-400 (PK-YTK), CASA 212 (PK- DCQ), CASA 235 (PK- NZO)	Indonesia

On landing at Jakarta in poor weather, the Air Force F-27, carrying paratroopers, crashed into a hangar which contained two 737s, a CN-235 and a C-212 causing all on board the F-27 to perish and inflicting various amounts of damage on the aircraft in the hangar.

Date	Airline	Aircraft	Location
8th	SA Airlink	BAE 146 RJ85 (ZS-ASW)	South Africa

The empty aircraft rolled across the apron at O.R. Tambo Intl Airport, Gauteng, continued across the airfield, through the perimeter fence and down an embankment coming to rest with its nose through a brick wall.

Date	Airline	Aircraft	Location
9th	Aviastar Mandiri	BAE 146-300 (PK-BRD)	Indonesia

On approach to Wamena in low, broken, cloud, the aircraft crashed into a hill. The aircraft was on a non-scheduled cargo flight.

Date	Airline	Aircraft	Location
19th	Kingfisher Airlines	Airbus A320-200 (VT-KFT)	India

On landing in gusty conditions at Bangalore, the aircraft veered off the edge of the runway removing numerous runway marker lights and causing damage to tyres and undercarriage.

Date	Airline	Aircraft	Location
20th	Royal Air Maroc	Boeing 767-300 (CN-RNT)	USA

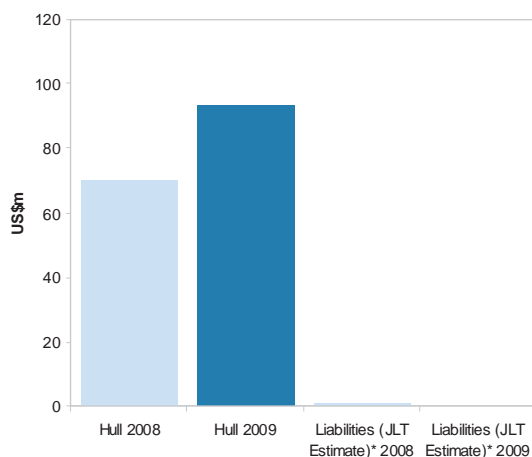
The aircraft made a heavy landing at New York - JFK causing some damage to the fuselage.

Date	Airline	Aircraft	Location
27th	Magnicharters	Boeing 737-200 (XA-MAF)	Mexico

Unable to deploy the main undercarriage, the aircraft landed at Guadalajara striking the runway with both engine pods, causing substantial damage.

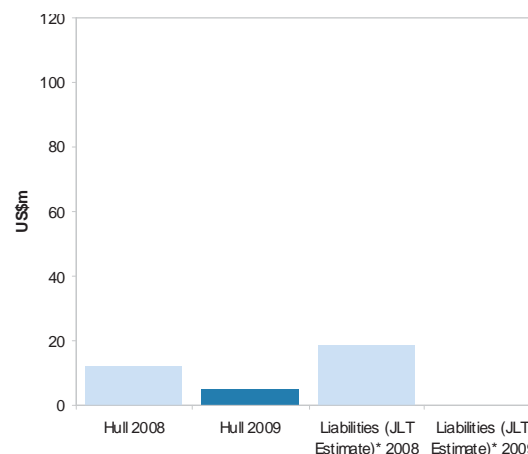
March Losses

All Known Losses Net of Deductible



April Losses

All Known Losses Net of Deductible

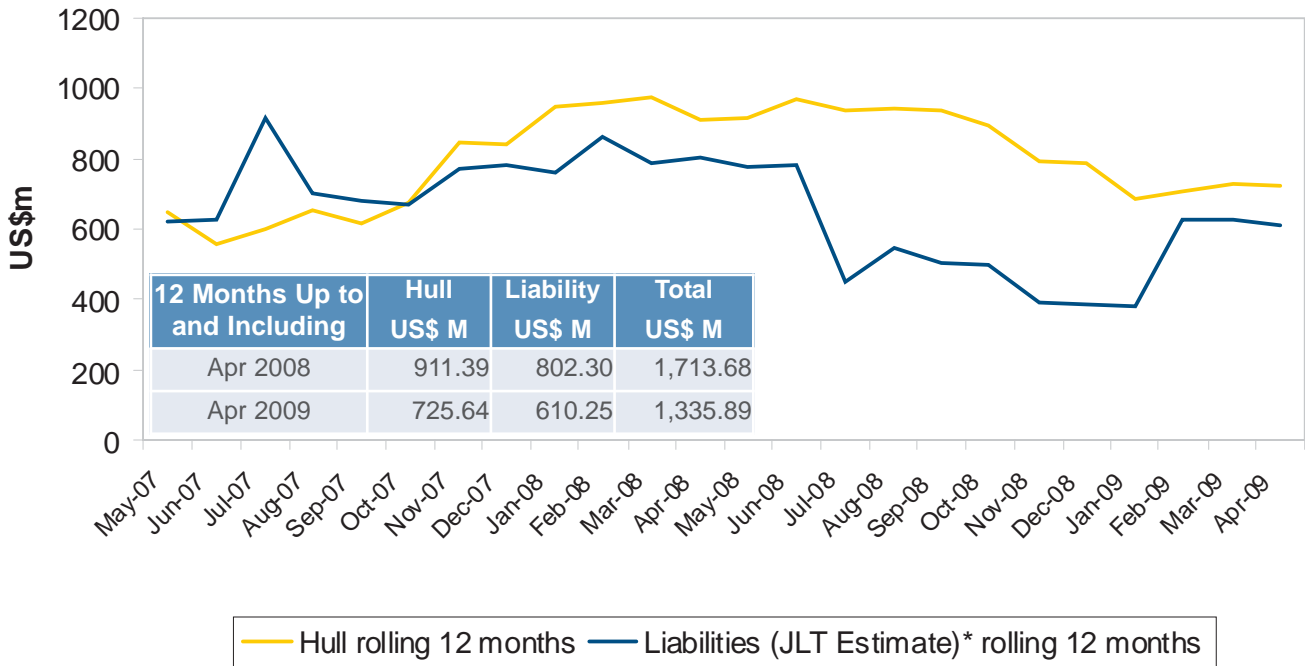


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Cumulative Airline Loss Figures

Rolling 12 Months shown for 24 Months to April, 2009

All Known Losses Shown Net of Deductible

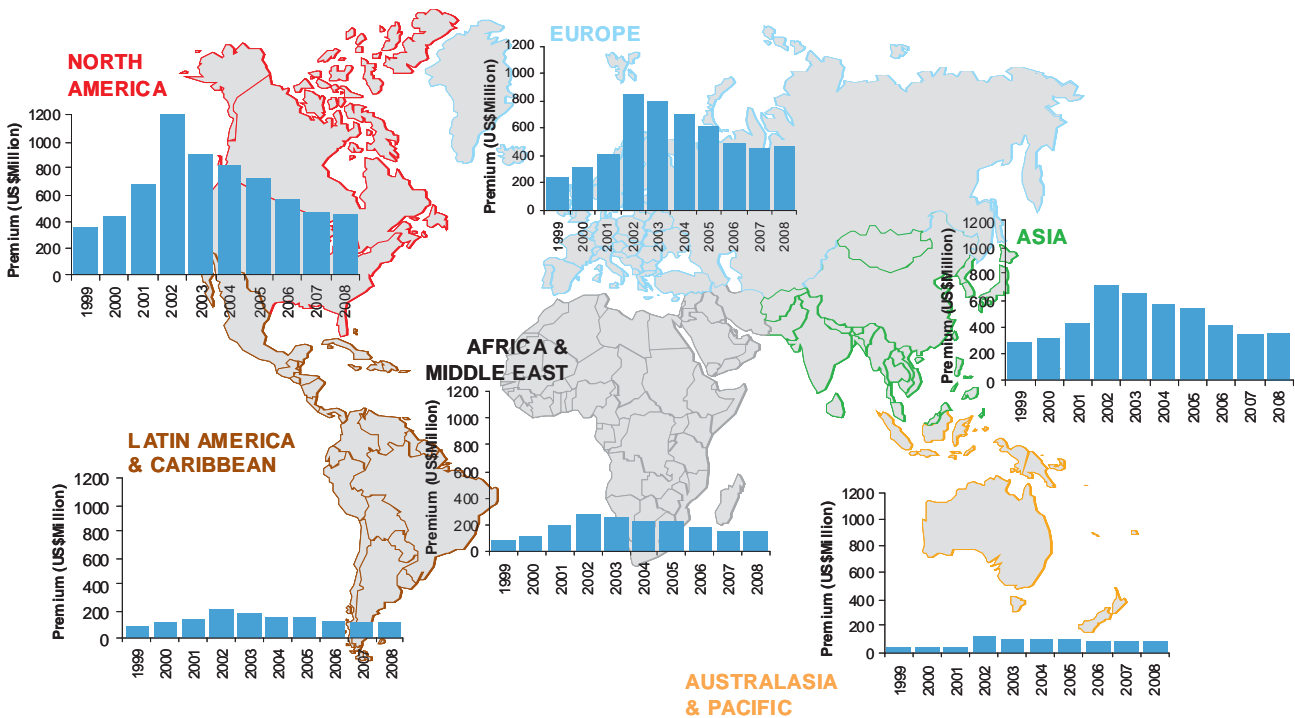


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Regional Trends

Total Premium for the last 10 years (1999 - 2008)

By Region of Operator Domicile



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