

AEROSPACE FIRST QUARTER (Q1) 2009

Q1 generates the smallest proportion of renewal premium, approximately 12% (based on 2008 total net premium) utilised for our annual comparison. Measured by the number of placements renewed, however, 23% of the year's potential renewal activity occurs during Q1.

Q1 is therefore a crucial period of review giving a clear indication of the markets likely approach towards this important sector for the remainder of 2009.

Q1 2009 AEROSPACE PREMIUM

The total Q1 2009 Aerospace monitored renewal net premium is US\$107m. This is a reduction of 4% compared to Q1 2008.

Set against the declared intention of some insurers regarding Aerospace for 2009, of hardening their pricing philosophy, it would be understandable to interpret the Q1 2009 result as a softening of that stance.

The market has generally sought to stabilise its premium base; however, it is apparent in renewal prices achieved that the market has acknowledged the projected exposure reductions experienced by certain Aerospace sectors. This acknowledgement is most apparent in the Airport

and Fuel sectors. These sectors recorded overall renewal premium reductions of approximately 7% and 6% respectively compared to Q1 2008, generally reflecting their reduced exposure projections. The ANSP/ATC sector, however, is projecting a small overall exposure increase; despite this the sector still achieved a premium reduction of 4.5% compared to Q1 2008.

Q1 2009 Manufacturers premium is virtually static in registering a reduction of 1.4%, however, projected sales, in US\$ values, have increased by 5.5% compared to Q1 2008.

It should be noted that the market is itself under pressure from capacity providers to produce underwriting profits, or more accurately in the case of Aerospace, to continue to deliver profitable underwriting results as it has done since 2002.

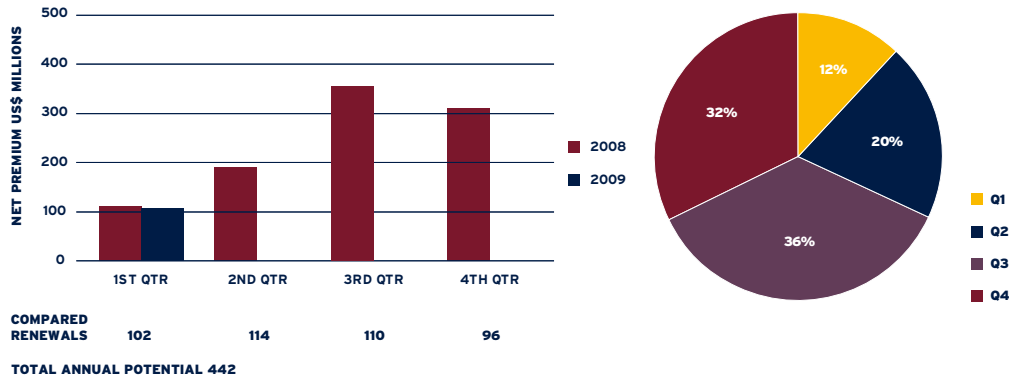
In considering the renewal results of Q1 2009 we foresee continued market appetite and competition for Aerospace business during 2009.

AEROSPACE RENEWAL PREMIUM CHANGE 2009

SECTOR	NET PREMIUM US\$ 2008 (M)	NET PREMIUM US\$ 2009 (M)	PREMIUM CHANGE %	RENEWING PROGRAMMES
MANUFACTURERS	45.4	44.8	-1.4	36
AIRPORT	45.1	42.1	-7	36
ATC	9.5	9.1	-4.5	10
FUEL	8.6	8.0	-6	15
GROUND HANDLERS	2.9	3.0	-1.2	5
ALL	111.4	107.0	-4	102



TOTAL AEROSPACE RENEWAL PREMIUM DISTRIBUTION Q1 2009 VS Q1-Q4 2008

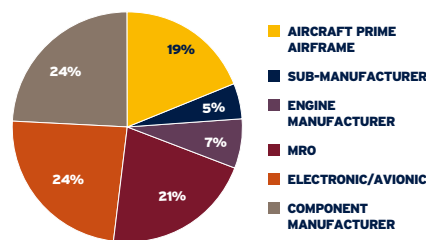


WILLIS MANUFACTURERS INDEX Q1 2009 RENEWAL CHANGE

WILLIS MANUFACTURERS INDEX SECTOR	NET US\$ PREMIUM CHANGE*	PROJECTED SALES CHANGE	RATE ON SALES CHANGE	RENEWING PROGRAMMES
AIRCRAFT PRIME MANUFACTURER	-20%	-16%	-5%	1
SUB-MANUFACTURER	33%	45%	-8%	1
ENGINE MANUFACTURER	6%	9%	-3%	1
ELECTRONIC/AVIONIC	14%	11%	2%	2
COMPONENT MANUFACTURER	4%	2%	2%	6
MRO	-2%	14%	-14%	4
TOTAL	0%	3%	-3%	15

* All currencies converted to US\$, roe as at January 1, 2009

WILLIS MANUFACTURERS INDEX, PREMIUM DISTRIBUTION, BY SECTOR Q1 2009



Q1 is the least active manufacturer's products renewal period of the year with just 15 'Willis Index' renewals occurring of an anticipated 113 for the year (2008 Index total renewals). Measured by premium volume, Q1 Index renewals represent just 4% of 2008 Index total premium base.

As can be seen from the table the individual sector renewal results are varied underlining the fact that the market continues to review and price each manufacturer upon its individual merits.

Aircraft Prime Manufacturer, a single renewal that recorded a significant fall in projected sales

has, to some extent, contributed to the premium reduction. However, the Self Insured Retention (SIR) carried by the manufacturer increased by 100% resulting in a potential total first loss cost (programme premium + any one occurrence SIR) increase of 32%.

Sub Manufacturer, a single renewal, the premium increase is due to the increase in projected sales and the fact that the exposure profile has increased significantly as this manufacturer evolves towards Aircraft Prime Manufacturer status. Despite this the rate on sales reduced.

Engine Manufacturer, another single renewal, sales growth has driven the premium rise but resulted in a small rate on sales reduction. This renewal, with a 10 year loss ratio of approximately 10%, changed leader.

Electronic/Avionic and Component Manufacturers sectors, a total of 10 renewals, show slight rate on sales increases. In the case of the Electronic/Avionic sector projected sales growth has driven premium higher while the Component sector's virtually static projected sales has resulted in a modest increase.

MRO, three of this sector's four renewals have projected increased sales cumulatively by almost 20%. Premium is however, virtually unchanged. The one renewal that projected a sales reduction, of almost 22%, achieved a premium reduction of 16.50%. The sector continues to be closely scrutinised by the market with renewal premiums reflecting the exposure profile and the loss development of older year claims as well as more recent losses of each insured.

Overall renewal premiums of the Willis Index Q1 2009 are reflecting the firm 'no reductions' stance of the market. If the renewal of the Aircraft Prime Manufacturer insured is excluded, due to its programme changes, the premium change becomes +6.8%, projected sales +8.7% producing a small rate on sales reduction of 1.8%. Premium reduction may occur where an insured has a good loss record, projected sales are significantly reduced and/or the exposure profile is considered to be have become more benign.

WILLIS AIRPORTS INDEX

The Willis Airports Index represents 66% of the total number of renewal placements and 81% of the premium that have occurred in Q1 2009.

AIRPORTS INDEX RENEWAL CHANGE Q1 2009

Q1 2009/2008 COMPARISON							
REGION	PLACEMENTS #*	EST PAX #	CHANGE	PREMIUM**	CHANGE**	PAX RATE	CHANGE
EUROPE	18	757,193,720	-7.0%	32,123,184	8.50%	0.04242	-2.3%
FAR EAST	1	48,800,000	3.0%	539,144	11.4%	0.01105	7.9%
SOUTH AMERICA-CARIBBEAN	1	21,657,948	-16.7%	639,450	5.5%	0.02952	26.7%
PACIFIC REGION							
MIDDLE EAST	3	50,575,559	5.3%	806,417	-1.8%	0.01594	-6.7%
AFRICA	3	21,196,963	2.7%	1,130,840	9.2%	0.05335	6.3%
OVERALL INDEX	26	899,424,190	-5.7%	35,239,035	-7.5%	0.03918	-1.7%

*Renewing placements known as at March 31, 2009

**All currencies converted to US\$ at roe as at January 1, 2009

Willis Airports Index Q1 2009 renewal premium of US\$35.2m (adjusted by removal of ATC proportion of premium of combined programmes) is a reduction of 7.5% compared to Q1 2008.

It is European renewals that dominate Q1 and they provide clear evidence of the impact of the economic recession in their projected passenger numbers which register a fall of 7% or 56m passengers, a similar percentage downturn to that recorded in Q4 2008. European premium compared to Q1 2008 is a reduction of almost 9% consequently the derived rate per passenger shows a small reduction of approximately 2%. Generally the market has responded to the difficult conditions facing most European airport operators by maintaining the expiring per passenger rate level, where passenger numbers are down, resulting in premium reduction. However, rate/premium increases have been applied where the claims history is poor or has experienced deterioration. In the few instances where projected passenger numbers have increased premium has risen producing a modest derived rate reduction again, however, claims history impacts renewal results.

Non European renewals, with the exception of South America and the Caribbean region, have all projected modest passenger growth. The renewal premiums applied to each insured is a combination of their exposure profile and individual claims history, improvement and/or deterioration.

Airport Operators Liability remains an attractive class within the market, consequently it continues to attract excess capacity which currently ensures competitive renewal pricing.

AIR NAVIGATION SERVICE PROVIDERS Q1 2009

Ten pure ANSP/ATC programmes renewed during Q1 2009 generating a total net premium of US\$9.08m which is a reduction of 4.4% compared to the net premium generated by the same programmes in Q1 2008. Projected aircraft movements, totaling 9.3m, are a small increase of 1.6% compared to Q1 2008. The majority of renewing programmes have obtained premium reduction which reflects the Markets positive approach towards this sector, a stance that we anticipate will prevail for the rest of 2009.

FUEL SUPPLIERS/REFUELLING

Q1 2009 net premium of US\$8m is a reduction of 6% compared to Q1 2008. Projected throughput in USGal's Bn of approximately 18.5bn, is a reduction of 3% compared 2008. Where projected renewal throughput is a reduction premiums have been reduced. In instances where throughput is an increase on the expiring programme, the renewal premium has generally increased modestly, although the resulting derived US\$ rate per 1,000 USGal's has fallen. This class continues to be attractive to the market we anticipate no change for the remainder of 2009.

AIRPORT SERVICE PROVIDERS

Q1 2009 net premium for this sector records a reduction of 14.5% compared to Q1 2008. The reduction is largely due to a single renewal that halved its expiring limit, consequently obtaining a near 30% premium reduction. Excluding that particular renewal, net renewal premium reduced by just 1.2%. The market continues to monitor carefully the loss histories of insured's in this sector. Renewal results reflect the experience of an individual insured rather than the sector as a whole.

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.

A full copy of the press release can be obtained from the following link:
http://www.aiguk.co.uk/UKLTD/internet/intl/files/AIU%20PR%202104_tcm354-166685.pdf

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This is the Willis Aerospace Insurance Index our vehicle to keep our clients and others informed of developments in the aerospace insurance market.

We welcome any comments or suggestions you may have to improve this publication. All data and analysis within this newsletter includes all known information at the time of production and is based on the net London lead terms and structure of the renewing insurance programmes monitored.

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.

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