

OCTOBER RENEWALS

Rates and premium levels have continued to increase for risks renewing in October, with the headline premium increase currently standing at 32%. It would appear that some of those programmes which are bucking the trend and renewing with significant increases in exposures have not seen the level of premium increase that many in the market were expecting. However those risks renewing with little growth or reductions in exposure are still seeing average rate and premium increases at levels seen in the market since the loss active months of June and July earlier in the year.

October's importance in the annual renewal calendar, both in terms of the size of renewals and premium income generated has diminished in recent years. It still however marks the start of the all important final quarter, which many in the market believe marks the start of a new underwriting cycle.

In recent years, over 60% of the airline markets annual income has been generated during the fourth quarter. October has in the past set the benchmark from which the negotiations for the November and December renewals have taken their lead and provides the best indicator of insurers attitudes as negotiations continue.

There are 24 programmes scheduled to renew in October, of which only NACIL – Air India/ Indian Airlines sees a AFV greater than US\$5 billion. Four other programmes, Libyan African Holdings, Lion Air (Indonesia), GOL (Brazil) and PIA (Pakistan) have all renewed with AFV's between US\$1 billion and US\$5 billion.

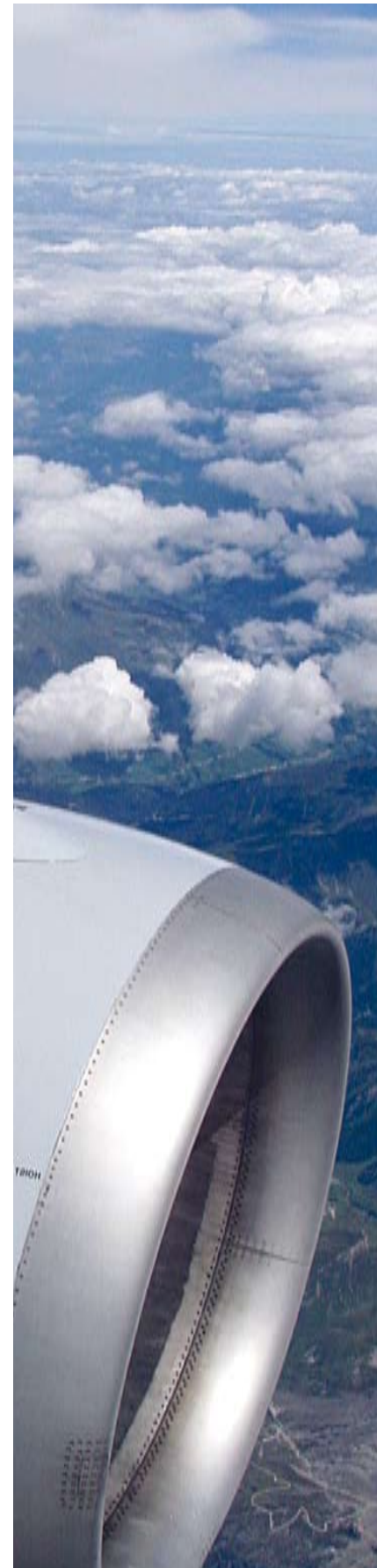
AIRLINE	RENEWAL DATE	EXPIRING AFV US\$M
NACIL - AIR INDIA & INDIAN AIRLINES	1-OCT-09	7,015
AIR JAMAICA	1-OCT-09	748
LIBYAN AFRICAN HOLDINGS	1-OCT-09	505
AIR MALTA	1-OCT-09	419
TRANSASIA AIRWAYS	1-OCT-09	306
ALLEGIAN AIR	1-OCT-09	245
CARGOJET	1-OCT-09	135
HELLO AIRLINES	1-OCT-09	120
IRAQI AIRWAYS	1-OCT-09	118
USA 3000	4-OCT-09	335
LION AIR	7-OCT-09	1,232
MK AIRCARGO	8-OCT-09	122
GOL TRANSPORTES AEREOS	10-OCT-09	3,300
PIA	15-OCT-09	1,689

AIRLINE	RENEWAL DATE	EXPIRING AFV US\$M
TAME	16-OCT-09	244
SA AIRLINK	17-OCT-09	156
AIR CAIRO	20-OCT-09	168
GO AIRLINES	21-OCT-09	267
XL FRANCE/GERMANY	23-OCT-09	552
FINNISH COMMUTER AIRLINES	24-OCT-09	213
JAT YUGOSLAV AIRLINES	24-OCT-09	144
CEBU PACIFIC AIR	26-OCT-09	876
MAHAN AIRLINES	27-OCT-09	283
ARIK AIR	29-OCT-09	247

At the time of publication over half of October's risks have renewed. The premium generated totals US\$92 million, a 32% increase. The AFV shows an increase of 22% and passenger numbers have fallen by 4%.

The premium increase figure is however distorted by the renewal of Lion Air, which suffered a total loss in its expiring period. As a consequence of this, coupled with significant exposure growth the renewal saw an increase in premium in excess of 100%. Libyan African Holdings, which is the new combined programme for Libyan Airlines & Afriqiyah Airways has also seen significant exposure growth and incurred a premium increase in excess of the average. If these risks are excluded the premium increase for October currently stands at 16%, with AFV increasing by 14% and passenger numbers falling by 10%.

This would indicate that insurers still strongly desire to further increase premium levels. If the market were to see a premium increase of 16% until the end of the quarter this would result in a premium income for 2009 of US\$1,850 million for accounts with an AFV in excess of US\$100 million.



As the fourth quarter progresses we will see the renewal of many of the world's major programmes, a number of these have had significant losses in their expiring periods of insurance and have contributed to the current claims figure of US\$2,001 million.

The level of premium in 2009 (to date) totals US\$606 million, an increase of 17%, with AFV increasing by 4% and passenger numbers falling by 7%. This increase in premium is of course dependent on the exposure figures declared at renewal being achieved.

HULL AND LIABILITY

NET Q3 2009 % PREMIUM MOVEMENTS

2009	NO. OF RENEWALS	AFV % CHANGE	PAX % CHANGE	2008 NET PREMIUM US\$M	2009 NET PREMIUM US\$M	US\$M PREMIUM CHANGE	PREMIUM % CHANGE
JANUARY	4	31.8%	14.1%	6.1	7.4	1.3	21.3%
FEBRUARY	4	37.4%	10.8%	4.2	4.5	0.3	7.5%
MARCH	4	12.1%	3.4%	17.0	20.6	3.6	21.2%
Q1 SUMMARY	12	22.5%	5.4%	27.3	32.5	5.2	19.2%
APRIL	19	0.1%	-6.1%	97.2	104.6	7.4	7.7%
MAY	17	9.9%	2.3%	58.2	63.6	5.4	9.3%
JUNE	11	-8.2%	-16.2%	31.7	37.6	5.9	18.7%
Q2 SUMMARY	47	1.4%	-4.7%	187.1	205.8	18.7	10.0%
JULY	31	2.3%	-11.9%	200.4	231.7	31.2	15.6%
AUGUST	5	4.6%	10.5%	15.1	18.3	3.3	21.8%
SEPTEMBER	8	15.0%	-4.6%	20.0	25.1	5.1	25.4%
Q3 SUMMARY	44	3.1%	-10.5%	235.5	275.1	39.6	16.8%
OCTOBER (TO DATE)	11	22.1%	-4.3%	69.6	92.1	22.5	32.3%
2009 (TO DATE)	114	4.3%	-6.6%	519.5	605.5	86.0	16.6%

FORTHCOMING RENEWALS

There are 24 renewals expected during November, including some of the world's largest insurance programmes. In 2008 the month generated nearly 18% of the year's income and will have a significant impact on the annual trends for 2009.

Currently there is little confirmed information concerning the November renewals.

Negotiations with leaders are still taking place and few firm orders have been given.

Brokers, buyers and underwriters are keen to understand the market position with regards to the level of increase to ascertain what can realistically be achieved.

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