

NOVEMBER RENEWALS

Rates and premium levels have continued to increase for those risks renewing in November. The headline premium increase currently stands at 21%. This is above the current average for the year as a whole which is currently an increase of 18%.

As the month progresses some of the worlds largest programmes are scheduled to renew including the Gulf Cooperation Council (GCC) and SFIT programmes.

Some of the larger renewals yet to renew in November and December have suffered large losses in their expiring periods. These programmes will have a major impact on the premium generated.

Although the overall premium increase is likely to rise, we believe that, across the board, insurers have actually been unable to generate the level of premium increase that they were seeking. They are however still succeeding in generating double digit percentage premium increases. It remains to be seen if these are sustainable throughout 2010 or if the level of capacity will continue to depress the level of increase achievable.

If the current average level of increase continues until the end of 2009, this would result in an overall net lead premium (including risks with an AFV below US\$100 million) approaching US\$2.1 billion. With claims currently totalling US\$2.1 billion, 2009 would still result in the airline sector being another loss making year for insurers.

AIRLINE	RENEWAL DATE	EXPIRING AFV US\$M
SINGAPORE AIRLINES	1-NOV-09	14,250
TUI GROUP	1-NOV-09	7,425
DHL WORLDWIDE EXPRESS	1-NOV-09	6,956
SOUTH AFRICAN AIRWAYS	1-NOV-09	3,834
AIR EUROPA	1-NOV-09	2,497
CYPRUS AIRWAYS	1-NOV-09	610
SKYSERVICE AIRLINES INC.	1-NOV-09	475
MIAMI AIR INTERNATIONAL	1-NOV-09	382
STAR AIR	1-NOV-09	374
SA EXPRESS AIRLINES	1-NOV-09	212
SKY EXPRESS	1-NOV-09	116
HIS MAJESTY THE SULTAN OF BRUNEI	4-NOV-09	568
JET2	8-NOV-09	585

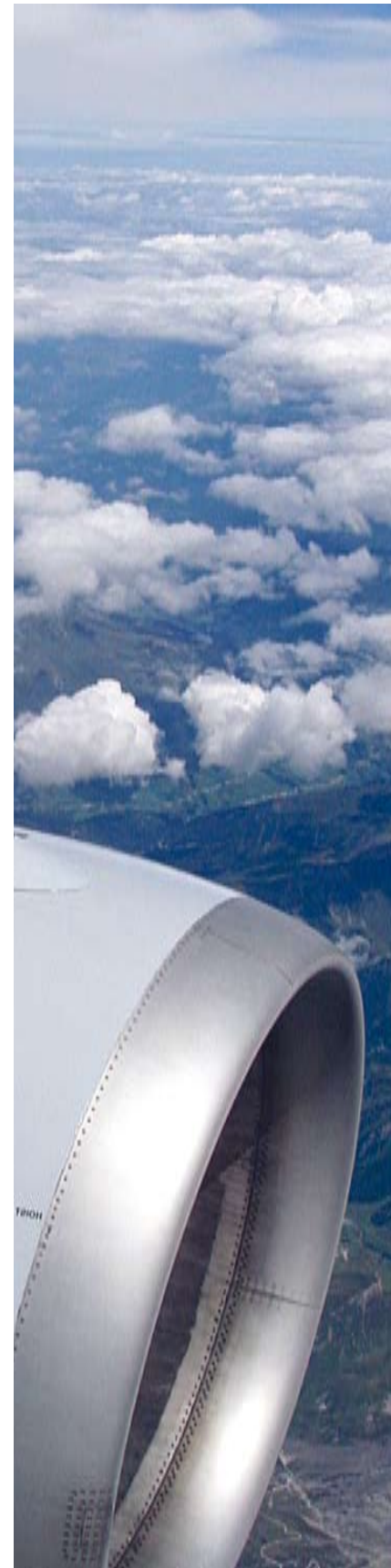
AIRLINE	RENEWAL DATE	EXPIRING AFV US\$M
AIR VIA	10-NOV-09	196
MNG AIRLINES	12-NOV-09	139
SOUTHERN AIR	13-NOV-09	431
THOMAS COOK GROUP	14-NOV-09	4,816
URAL AIRLINES	14-NOV-09	145
GCC	16-NOV-09	43,927
UPS	16-NOV-09	14,875
AIRES COLOMBIA	18-NOV-09	272
SAUDI OGER LIMITED	20-NOV-09	398
AIR ATLANTA ICELANDIC	29-NOV-09	827
SFIT	30-NOV-09	21,070
FINNISH COMMUTER AIRLINES	30-NOV-09	213

There are 26 risks now scheduled to renew in November. Caribbean Airlines, the Synergy Group (Colombia/Brazil) and TAAG (Angola), who were all previously expected to renew, have extended their expiring policy periods and now renew in December. These moves are partially offset by the Thomas Cook programme renewing during November for the first time.

The largest programme to renew during November in terms of Average Fleet Value (AFV) will be the Gulf Cooperation Council (GCC). It is now the second largest programme in the world in terms of AFV, with only the Civil Aviation Authority of China (CAAC) programme which renews in December having a larger fleet.

The SFIT programme, which includes the associated airlines of SAS, Finnair, Icelandair and TAP, will see large reductions in exposure. Austrian Airlines has left the programme and the economic environment contracting the exposure of the remaining members. The extent of these changes may result in the actual premium falling, with rates showing above average increases.

November is the second largest month in terms of premium generated. In 2008 it generated 17% of the year's premium and this figure is likely to increase in 2009.



2009 TO DATE

The level of premium in 2009 (to date) totals US\$786 million, an increase of 18%. Fleet values are still showing an increase of 5%, with passenger numbers falling by 5%. Any increase in premium is of course dependent on the exposure figures declared at renewal being achieved.

HULL AND LIABILITY

2009 NET % PREMIUM & EXPOSURE 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	16	9.5%	2.5%	56.8	61.6	4.8	8.5%
JUNE	12	-8.1%	-16.2%	31.7	37.6	5.9	18.7%
Q2 SUMMARY	47	1.3%	-4.7%	185.7	203.8	18.1	9.8%
JULY	34	2.5%	-12.4%	194.5	223.9	29.4	15.1%
AUGUST	7	8.7%	8.3%	17.3	23.6	6.3	36.4%
SEPTEMBER	8	15.0%	-1.2%	20.0	25.1	5.1	25.4%
Q3 SUMMARY	49	3.1%	-11.5%	231.8	272.6	40.8	17.6%
OCTOBER	19	20.9%	3.9%	98.9	128.2	29.3	29.6%
NOVEMBER (TO DATE)	10	5.2%	-1.0%	123.3	149.4	26.1	21.2%
2009 (TO DATE)	137	4.6%	-4.8%	667.0	786.5	119.5	17.9%

FORTHCOMING RENEWALS

December dominates the renewal calendar with 70 risks scheduled to renew, an increase on 2008. As would be expected with this number of renewals there is a wide spectrum of programmes. The renewals range from CAAC (China), which is the largest renewal with an AFV in excess of US\$50 billion, to Carpatair (Romania) which has an AFV of US\$100 million. There is also a large variety in the type of operations, from small and large flag carriers, US Majors, low cost carriers and domestic carriers.

There have also been a number of broker changes amongst the December renewals with the Cathay Pacific programme which also includes Air Hong Kong and Dragonair

changing broker from Marsh to Willis. Ryanair and Thai Airways has moved from Aon to Marsh, with Egyptair moving in the reverse direction from Marsh to Aon. Additionally Caribbean Airlines has moved from JLT to Aon.

In 2008 the month generated 45% of the year's premium, and with a number of the December renewals having suffered major losses in the past 12 months it is likely that this share will increase.

There will be great interest shown in the Air France/KLM renewal which is scheduled to renew on the December 1. The disappearance of an Air France Airbus A330-200 aircraft on the June 1, 2009 has been the catalyst for much of the call for significant market hardening.

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