

AIRLINE RENEWALS

The momentum of premium increases has been maintained as the renewal season progresses. The premium generated during November currently totals US\$261 million, which equates to a 17% increase in premium. This figure is the same as the average for 2009 and reflects both the economies of scale and the economic impact on the larger carriers renewing at this time.

The Average Fleet Value (AFV) declared has increased by 1% and estimated passenger numbers have reduced by 3%. This compares with a similar fleet value change and a more significant passenger exposure downturn of 12% in July.

There were originally 28 risks scheduled to renew in November. This has however been impacted by Aires Colombia, Caribbean Airlines, the Synergy Group and TAAG Angola all extending their expiring policy periods to now renew in December. These changes are partially offset by the Thomas Cook programme renewing during the November for the first time, having extended its policy from August.

The resulting 25 renewals mean that November is now the third busiest month in terms of the number of renewals after December and July.

With a number of the world's largest programmes renewing during the month, including the Gulf Cooperation Council (GCC) and SFIT (SAS, Finnair, Icelandair and TAP), November will however generate the second highest premium volume.

Although rate increases were still achieved during November, the headline figures indicate that the level of increase being achieved by insurers has moderated a little as the fourth quarter progresses. The larger programmes with the resulting premium volume appears to continue to enable brokers to leverage the economies of scale and capacity levels in their negotiations.

The overall level of increase has occurred with a number of the larger renewals in November having suffered large losses in their expiring policies and consequently attracted slightly higher than average rate increases.

The larger risks in any month continue to have a greater effect on the percentage changes than the numerous smaller sized programmes. With the larger programmes removed only US\$73 million in premium is generated.

During the month there were five risks with an AFV in excess of US\$10 billion. The largest risk to renew in terms of exposure was the Gulf Cooperation Council (GCC) programme, with an AFV of over US\$50 billion and nearly 90 million passengers. In addition, there were five other renewals with an AFV between US\$1 billion and US\$10 billion. In 2008 November generated 17% of the years premium, as a consequence of the Thomas Cook programme renewing it is likely that this figure will increase in 2009.

HULL AND LIABILITY

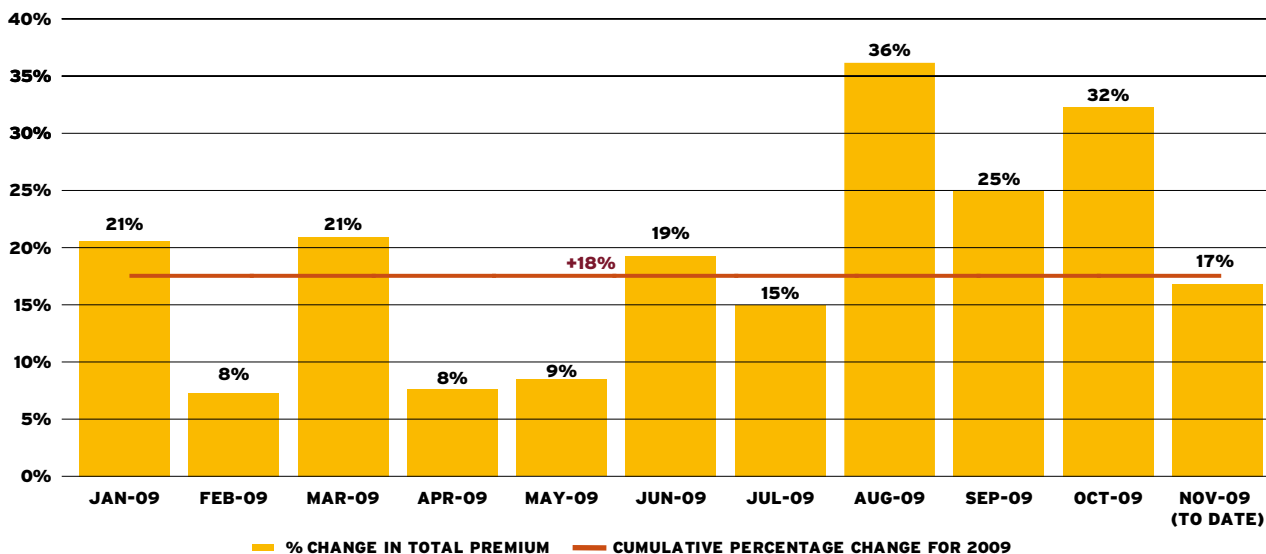
2009 NET % PREMIUM AND EXPOSURE MOVEMENTS

| 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 | 35 | 2.5% | -12.3% | 196.5 | 226.0 | 29.5 | 15.0% |
| AUGUST | 7 | 8.7% | 8.3% | 17.3 | 23.6 | 6.3 | 36.4% |
| SEPTEMBER | 8 | 15.0% | -1.2% | 20.0 | 25.0 | 5.0 | 25.0% |
| Q3 SUMMARY | 50 | 2.9% | -11.4% | 233.8 | 274.6 | 40.8 | 17.5% |
| OCTOBER | 19 | 18.6% | 4.1% | 101.6 | 135.6 | 34.0 | 33.5% |
| NOVEMBER (TO DATE) | 17 | 1.2% | -3.1% | 222.3 | 260.6 | 38.2 | 17.2% |
| Q3 SUMMARY (TO DATE) | 36 | 3.2% | 0.5% | 323.9 | 396.2 | 72.2 | 22.3% |
| 2009 (TO DATE) | 145 | 2.8% | -3.5% | 770.7 | 907.1 | 136.3 | 17.7% |



HULL AND LIABILITY 2009 NET % PREMIUM MOVEMENTS

AS AT NOVEMBER 2009



AIRLINE RENEWALS - 2009 TO-DATE

There have been 145 renewals thus far, generating US\$907 million in premium, an increase of 18%. This increase is of course dependent on the projected exposure figures declared at renewal being achieved. Declared AFV currently totals US\$332 billion, which is an increase of US\$140 billion on last month's figure, and is an increase of 3% for the year. Passenger numbers to date total 1,087 million, an increase of 400 million on the figure in October, which is a reduction of 4% on a like for like basis annually.

HULL WAR MARKET

With no significant losses since the atrocities of 9/11, premium levels have fallen from their peak in 2001. Gross premium income was estimated to be around US\$130 million in 2008. This is below the cost of a new widebodied aircraft and as a consequence insurers feel that the premium levels should not fall further. Therefore in the majority of cases renewal rates have remained unchanged. It is likely that this sector of the market will remain stable until a major loss occurs.

EXCESS THIRD PARTY WAR LIABILITY

This market remains focused on maintaining premium volumes however we believe that small reductions in premium have been achieved in some cases.

MARKET MOVES

It was announced on the November 2 that Robert Swinton is to retire as Class Underwriter, Aviation of Mitsui Sumitomo Insurance in London at the end of 2009. Noel Holloway will be the new Class Underwriter for Aviation with effect from December 1, 2009 and will work with Robert to ensure a smooth handover. Alastair Urquhart will be Deputy Class Underwriter with effect from the same date.

Meghan Walker of Lockton has resigned and is to join Aon once her contractual obligations are completed. Additionally Aon have recently appointed Simon Blanden, Adam Hemmingway and John Westoby.

Martin Collins is to join Willis Corporate Aviation and Aerospace upon the completion of his contractual responsibilities at his current employer. Martin has close to 20 years of experience in the General Aviation insurance market.

LOSSES UPDATE

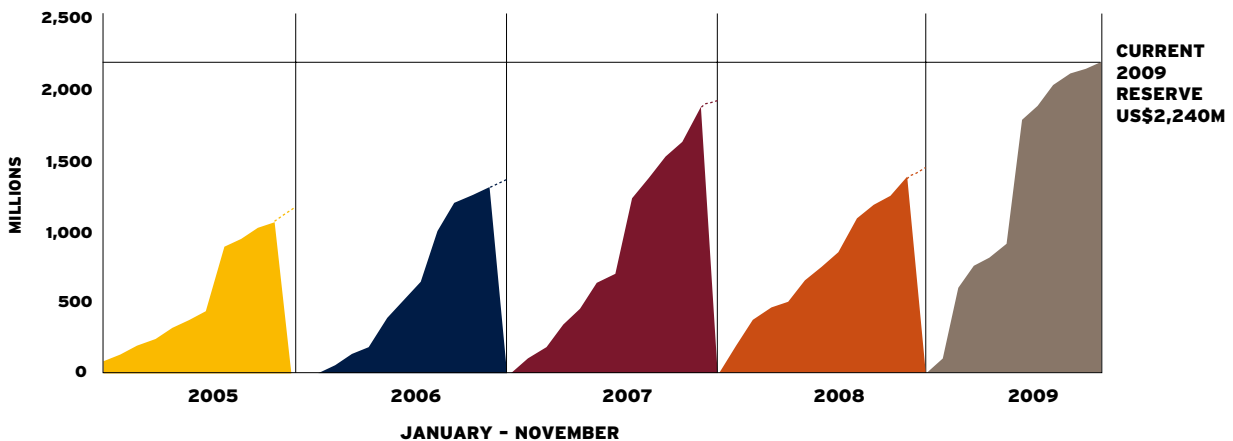
In terms of loss reserves and fatalities 2009 has been a year of two halves, with the reserves up to June 1 totalling US\$1,850 million with fatalities totalling 491. In the second half of the year thus far reserves total US\$390 million and there have been 192 fatalities. This change in one of the major market drivers has meant the market has been unable to force through the level of premium increase that it was seeking in the third quarter of the year. Many believe that if there had been another significant market loss in the second half of 2009 then the level of increases would have been higher than currently being achieved by insurers.

Despite the low level of losses in the second half of 2009, the current loss figure for 2009 is US\$2,240 million, composed of US\$730 million in respect of hull losses, US\$1,098 million in respect of liabilities and a pro-rata figure of US\$412 million in respect of attritional losses.

This is still the highest volume of losses (excluding the losses of September 11, 2001) since records began and will result in insurers losing money for the third consecutive year when operating expenses are taken into account.

If the premium from other classes of the aviation sector including Excess AVN52, Hull War and Aerospace risks which many of the hull and liability insurers also underwrite is taken into account, it is likely that they will make a profit in 2009.

CUMULATIVE MONTHLY INCURRED RESERVE DEVELOPMENT (USD)



Please note the loss reserve development only contains known liability reserves.

Recent incidents of significance are detailed below:

On November 10, a Kingfisher Airlines ATR 72-500, registration VT-KAC, sustained substantial damage when it overran the runway on landing in poor weather at Chhatrapati Shivaji International Airport, Mumbai. There were no serious injuries reported amongst the 42 passengers and four crew onboard following the domestic flight from Bhavagar.

On November 12, a Canadair CRJ of JetLink Kenya (operating a flight for Rwandair) registration 5Y-JLD, sustained substantial damage. According to reports shortly after take off the aircraft developed a technical problem and the crew elected to return to Gregoire Kayibanda Airport, Kigali, Rwanda. The aircraft apparently landed safely and taxied to its stand. However, shortly after arrival at the stand and while the passengers were preparing to disembark, the left engine suddenly accelerated to high power, this caused the aircraft to veer to the right, run forward and collide with the airport VIP terminal building. One passenger was killed in the incident. The aircraft has been declared a total loss.

On November 14, a Airbus of A319 of Frontier Airlines, registration N924FR, sustained damage to its engines when according to reports it struck a number of geese shortly after departure from Kansas City International Airport, USA. There were no injuries reported.

On November 19, a Boeing MD-80 of Compagnie Africaine d'Aviation (CAA), registration 9Q-CAB, sustained substantial damage when it overran the runway on landing in poor weather at Goma International Airport, Congo following a flight from Kinshasa. There were no serious injuries reported amongst the 117 passengers onboard. The aircraft has been declared a total loss.

On November 28, a Boeing MD-11F of Avient, registration Z-BAV, was destroyed when according to reports it crashed on takeoff and caught fire at Shanghai Pudong International Airport, China. Three of the seven crew members were killed with one critically injured. The aircraft is a total loss.

FORTHCOMING RENEWALS

DECEMBER RENEWALS

December is the busiest month in terms of number of renewals and total premium, offering a varied selection of renewals in terms of size, sector and geography. 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 highly likely that this share will increase.

There are 67 risks expected to renew during the month, including many of the world's larger carriers. These programmes will obviously have a dramatic impact on the final figures for 2009 and will inevitably set the benchmark for renewals in 2010. We have listed those carriers with an AFV in excess of US\$1 billion.

This year the Air France/KLM programme will renew with Alitalia/Air One and Czech Airlines (CSA) added to the combined programme. There is great interest in this renewal on December 1, due to the tragic loss of an Air France Airbus A330-200 aircraft on June 1, 2009, which has been the catalyst for much of the call for significant market hardening.

FORTHCOMING RENEWALS (CONTINUED)

| AIRLINE | RENEWAL DATE | EXPIRING AFV US\$M |
|-----------------------|--------------|--------------------|
| CAAC | 1-DEC-09 | 51,189 |
| AIR FRANCE/KLM | 1-DEC-09 | 30,189 |
| JAL | 1-DEC-09 | 15,797 |
| ANA | 1-DEC-09 | 10,773 |
| IBERIA GROUP | 1-DEC-09 | 9,486 |
| KOREAN AIRLINES | 1-DEC-09 | 9,333 |
| THAI INTERNATIONAL | 1-DEC-09 | 7,849 |
| RYANAIR | 1-DEC-09 | 7,330 |
| JETBLUE AIRWAYS | 1-DEC-09 | 5,100 |
| MALAYSIA AIRLINES | 1-DEC-09 | 4,997 |
| WESTJET AIRLINES | 1-DEC-09 | 4,952 |
| ASIANA AIRLINES | 1-DEC-09 | 4,796 |
| AEROMEXICO | 1-DEC-09 | 2,982 |
| SYNERGY GROUP | 1-DEC-09 | 1,546 |
| AIR TAHITI NUI | 1-DEC-09 | 1,943 |
| GLOBAL AERO LOGISTICS | 1-DEC-09 | 1,827 |
| GARUDA INDONESIA | 1-DEC-09 | 1,621 |
| TUNISIAN AIRLINE TEAM | 1-DEC-09 | 1,524 |
| ROYAL AIR MAROC | 1-DEC-09 | 1,488 |
| AIR ALGERIE | 1-DEC-09 | 1,459 |
| NIPPON CARGO AIRLINES | 1-DEC-09 | 1,214 |

Four programmes have an expiring AFV in excess of US\$20 billion (out of eight in 2009), with eight having an expiring AFV in excess of US\$10 billion. In addition there are 32 with an AFV between US\$10 billion and US\$1 billion, with the remaining 23 below this point.

There are 15 U.S. airlines scheduled to renew during December including the majority of the U.S. Major carriers, in 2008 they generated in excess of US\$270 million in premium. A consequence of which, there will be interest within the market to see the effect of the losses U.S. risks have incurred since this time in 2008 has on these renewals. The majority of the orders on these programmes are allocated to U.S. based insurers and with most of the U.S. insurers primarily only participating on U.S. domiciled programmes, they have their own market dynamic.

| AIRLINE | RENEWAL DATE | EXPIRING AFV US\$M |
|----------------------|--------------|--------------------|
| CONTINENTAL AIRLINES | 15-DEC-09 | 20,958 |
| CATHAY PACIFIC | 15-DEC-09 | 13,382 |
| QANTAS | 15-DEC-09 | 13,150 |
| UNITED AIR LINES | 15-DEC-09 | 13,084 |
| AIR CANADA | 15-DEC-09 | 11,815 |
| SOUTHWEST AIRLINES | 15-DEC-09 | 11,246 |
| US AIRWAYS | 15-DEC-09 | 10,315 |
| SKYWEST | 15-DEC-09 | 6,224 |
| AIR NEW ZEALAND | 15-DEC-09 | 3,804 |
| VIETNAM AIRLINES | 15-DEC-09 | 2,639 |
| DRAGONAIR | 15-DEC-09 | 2,522 |
| MESA AIRLINES | 15-DEC-09 | 2,383 |
| PHILIPPINE AIRLINES | 15-DEC-09 | 2,016 |
| EGYPTAIR | 16-DEC-09 | 2,792 |
| TAM | 19-DEC-09 | 6,612 |
| DELTA AIR LINES | 21-DEC-09 | 25,635 |
| HAWAIIAN AIR | 21-DEC-09 | 1,376 |
| ROYAL JORDANIAN | 22-DEC-09 | 1,659 |
| EL AL | 30-DEC-09 | 1,906 |
| REPUBLIC AIRWAYS | 31-DEC-09 | 4,961 |
| AIRTRAN | 31-DEC-09 | 3,957 |

There have been further changes in broker in addition to those previously detailed. Royal Air Maroc has moved from JLT to UIB and the Tunisian Airline Team programme has moved from JLT to Aon. Additionally EL AL has moved from Aon to Marsh.

Based on information of known December renewals it would appear that the market is continuing to increase rates and premium. The headline increase of 35% is distorted by the loss penalty being paid by Air France. If this is excluded we believe the increase currently stands in line with market averages with the details of the vast majority of renewals still to be confirmed.

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

This is the Willis Airline Insurance Insight, which is our vehicle to keep our clients and others informed of developments in the airline 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 lead terms of airline insurance programmes renewing with fleet values in excess of US\$100 million. The analysis does not take into account any coverage changes and is not weighted in relation to the size of the programme's exposure or volume of premium paid. Loss information includes western built equipment and our attritional loss threshold is below US\$1 million. These figures are based on a like for like basis and exclude those risks that inception in 2008 and are no longer in operation and those risks that have commenced operations in 2009 as these will distort the percentage change figure.

This newsletter offers a general overview of its subject matter. It does not necessarily address every aspect of its subject or every product available in the market. It is not intended to be, and should not be, used to replace specific advice relating to individual situations and we do not offer, and this should not be seen as, legal, accounting or tax advice. If you intend to take any action or make any decision on the basis of the content of this publication you should first seek specific advice from an appropriate professional. Some of the information in this publication may be compiled from third party sources we consider to be reliable, however we do not guarantee and are not responsible for the accuracy of such. The views expressed are not necessarily those of the Willis Group. Copyright Willis Limited 2009. All rights reserved.

Willis Limited, Registered number: 181116 England and Wales. Registered address: 51 Lime Street, London EC3M 7D0 Tel +44 (0)20 3124 6000. www.willis.com
A Lloyd's Broker, Authorised and regulated by the Financial Services Authority for its general insurance mediation activities only.