

MAY RENEWALS

It has been very much a case of 'more of the same' during May with single digit premium increases being the norm. The level of renewal activity in May shows a slight reduction on April, the busiest month in terms of the number of renewals in the first half of the year, with 16 renewals. In 2008 May generated 3% of the year's premium.

There was a wide spread of renewals both in terms of geographic operation and the type of operation. The largest single risk to renew in terms of exposure was the U.K. based low cost carrier easyJet. With an Average Fleet Value (AFV) in excess of US\$6 billion and passenger numbers approaching 47 million, the airline showed significant growth despite the well documented economic downturn. In addition the Virgin Group programme renewed (Virgin America/Atlantic/Blue and Nigeria) with a combined AFV of nearly US\$11 billion.

April and May have offered the first chance for any real analysis to be made on the larger 2009 renewals. May saw the premium volume increase by 6%, with the total AFV increasing by 10%, but with passenger numbers showing a slight reduction of 0.4%, with April seeing a premium increase of 5% despite reductions in AFV of -0.1% and passengers of -6.2%.

Both months saw an increase in rates and the level of differential between lead terms and following markets

continued to narrow. We believe that some insurers are continuing to receive premium levels in excess of the lead premium, generating higher increases in the actual premium paid than our average suggests. This trend is likely to continue through to at least the final quarter of 2009.

The level of premium in 2009 (to date) totals US\$177 million, an increase of 8%, with income generated since October 2008 totalling US\$1,290 million, an increase of 7%, this is of course dependent on the exposure figures declared at renewal being achieved. It would therefore appear that insurers are continuing to be successful in their efforts to increase rates and premium levels.

Airline trade organisations in the United States have indicated that they expect passenger numbers to fall by a further 7% and the Association of Asia Pacific Airlines announcing that its members saw an 8% fall in April. This trend is likely to continue in the short-term on a worldwide basis and possibly even accelerate.

HULL AND LIABILITY
NET Q4 2008 AND Q1 2009 % PREMIUM MOVEMENTS

2008	NO. OF RENEWALS	AFV % CHANGE	PAX % CHANGE	2007 NET PREMIUM US\$M	2008 NET PREMIUM US\$M	US\$M PREMIUM CHANGE	PREMIUM % CHANGE
OCTOBER	15	4.4%	-6.7%	67.8	78.0	10.3	15.2%
NOVEMBER	25	8.2%	2.8%	249.2	286.1	36.9	14.8%
DECEMBER	60	2.6%	-2.0%	723.8	749.5	25.7	3.6%
Q4 SUMMARY	100	0.7%	0.7%	1,040.8	1,113.6	72.9	7.0%
2008							
2009	NO. OF RENEWALS	AFV % CHANGE	PAX % CHANGE	2008 NET PREMIUM US\$M	2009 NET PREMIUM US\$M	US\$M PREMIUM CHANGE	PREMIUM % CHANGE
Q1 SUMMARY	11	25.0%	5.4%	26.9	32.5	5.6	20.8%
APRIL	19	-0.1%	-6.2%	94.0	98.7	4.6	4.9%
MAY (TO DATE)	12	9.6%	-0.4%	42.7	45.4	2.7	6.3%
2009 (TO DATE)	42	3.6%	-3.4%	163.6	176.5	12.9	7.9%
OCTOBER 2008 - MAY 2009 (TO DATE)				1,204.4	1,290.2	85.8	7.1%

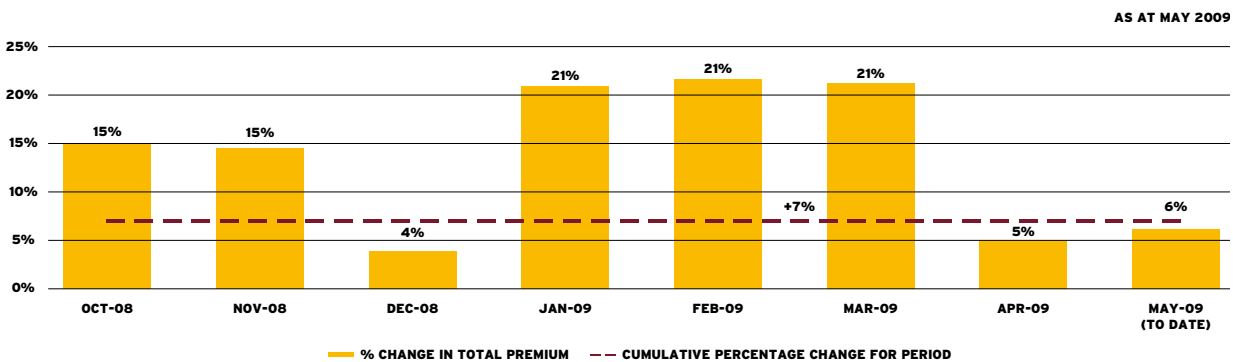
MAY RENEWALS CONTINUED

Fleet values are likely to be more stable while the main liability exposure factors are unpredictable. Liability risks normally account for the larger share of premium generated. With passenger numbers falling by 3% in 2009 (to date) and by 1.4% since the beginning of fourth quarter of 2008 this is likely to have a greater effect on premium levels.

It is this continued downturn in passenger numbers that is a cause for concern for both buyers and insurers alike. There was a 35% hull and 65% liability premium split in 2008 for the worlds airlines.

As a consequence these figures will be of great interest to all parties involved in the airline insurance industry as it is likely to result in the 2008 estimated premium figures not being achieved when they are adjusted. This is likely to result in insurers continuing to increase rates in 2009 in an attempt to offset this reduction and at least stabilise premium levels. A number are also attempting to implement minimum premium clauses with varying levels of success.

HULL AND LIABILITY NET Q4 2008 AND Q1 2009 % PREMIUM MOVEMENTS



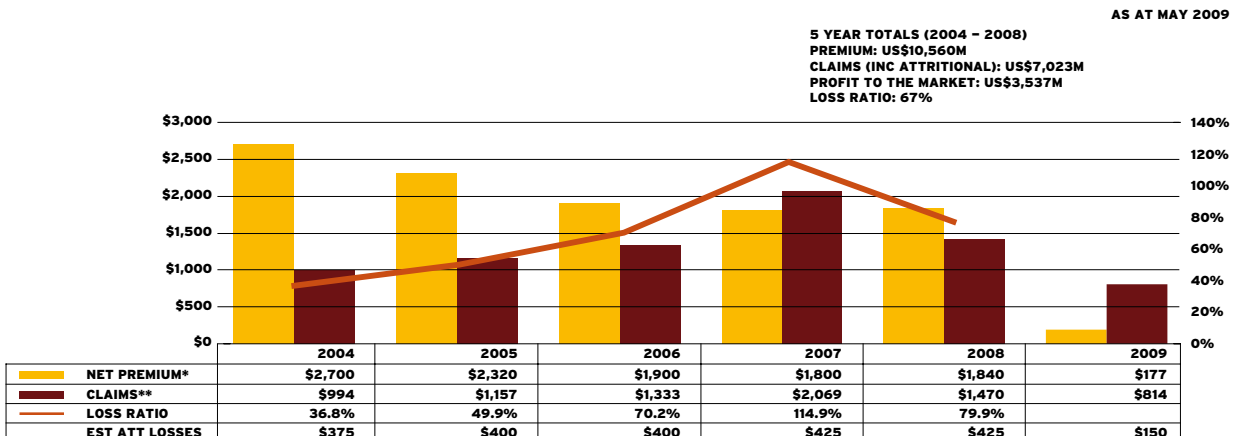
MARKET PERSONNEL CHANGES

Following the previously detailed resignations of Rod Mearing, Christopher Collins, Murray Walker, Alexandra Davies and Matthew Budd from XL Insurance they have now commenced their positions at Talbot Underwriting.

James Owen, Simon Murray and Andrew Innes have resigned from Catlin in London and are to join the underwriting operation of XL Insurance in London upon completion of their contractual obligations later in 2009.

David Adcock, Claims Manager, UK Aerospace of XL Insurance has resigned and is to rejoin Ace Global Markets upon completion of his contractual obligations. Additionally Fiona Hodgson, Senior Aviation Adjuster is also to leave XL Insurance in London and is to join Catlin in London.

WORLD WIDE AIRLINE HULL AND LIABILITY PREMIUM AND CLAIMS 2004 - 2009 (NET LEADERS TERMS US\$M)



* Premium includes all known airlines and an estimate for untracked airlines, and is based on Net London Lead Terms; it is subject to change as more information becomes available.
** Claims on expired years include the estimated figure for attritional losses.

LOSSES UPDATE

The current loss figure for 2009 is US\$814 million, composed of US\$261 million hull losses, US\$366 million in liability claims and a pro-rata estimated figure of US\$187 million in respect of attritional losses. This figure does not include reserves from some recent losses that are still to be confirmed and will therefore add to this total.

After the first quarter there was concern that 2009 could be the disastrous year that would ruin the run of excellent loss performance in recent years. The second quarter of 2009 (to date) has however been relatively quiet in terms of loss frequency and severity. Whilst still the worst year since 2000, the benign level of losses in the past two months is slowly bringing 2009 back into line with recent years.

Recent incidents of significance are detailed below:

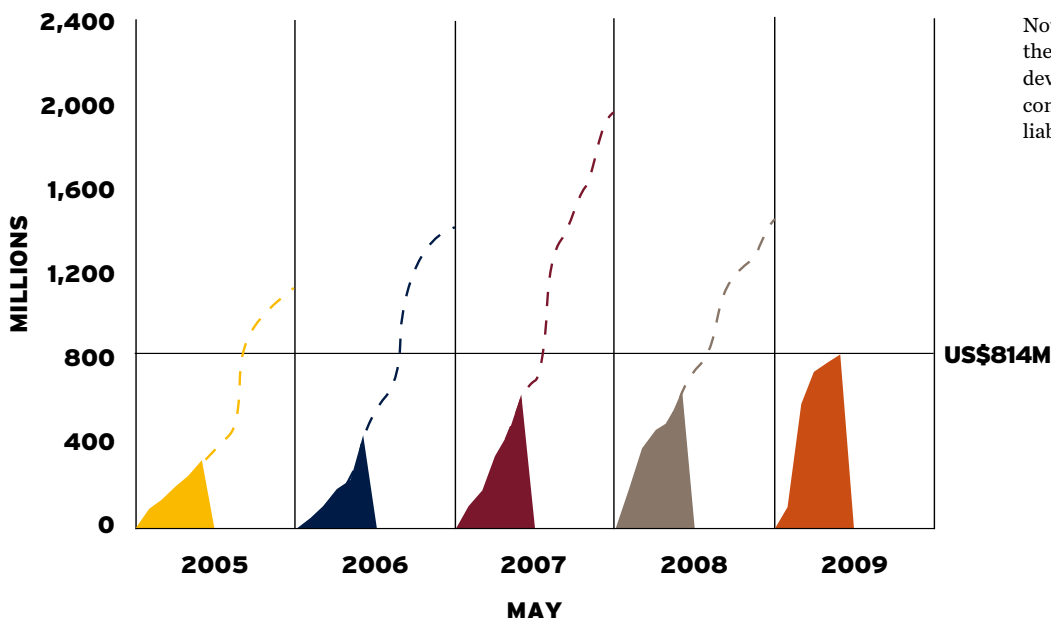
On May 4, a Northwest Airlines Airbus A320, registration N311US, developed a high rate of descent on approach to Denver International Airport, Colorado, USA, causing a hard touchdown and a tail strike. The aircraft completed the landing run safely and taxied to its parking stand. Post landing inspection revealed structural damage to

the aft fuselage of the aircraft. According to reports heavy g-loads of up to +3g were experienced on touchdown, but none of the passengers and crew suffered serious injury.

On arrival at Baltimore International Airport, Maryland, USA on May 6, a World Airways Boeing (McDonnell-Douglas) DC-10-30, registration N139WA, reportedly made a hard touchdown resulting in a tire burst on the nose gear. The pilots aborted the landing and made a go-around manoeuvre. After the damage was assessed and the runway was checked for debris, the aircraft landed safely. No serious injuries occurred, but some reports indicate the aircraft suffered structural damage during the first landing attempt.

A Boeing (McDonnell-Douglas) MD-90-30, registration HZ-APW, operated by Saudi Arabian Airlines, sustained substantial damage on landing at Rihad King Khaled International Airport, Saudi Arabia, on May 8, when it veered off the runway and its left main undercarriage collapsed. At the time of the accident the aircraft was operating a ferry flight from Jeddah. All eight crew evacuated the aircraft safely.

CUMULATIVE MONTHLY INCURRED RESERVE DEVELOPMENT (USD)



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

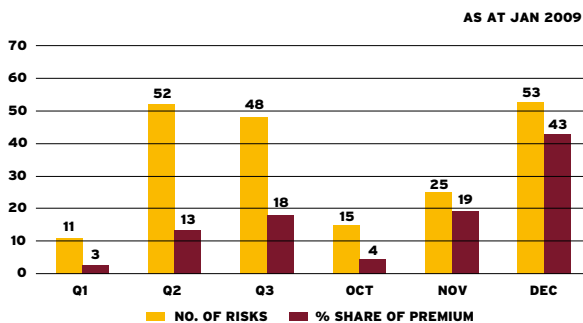
STOP PRESS

At the time of publication of Insight, on June 1, an Air France Airbus A330-200, registration F-GZCP has been reported missing, the aircraft is presumed to have crashed into the Atlantic Ocean in the Fernando de Noronha area off the coast of Brazil. The aircraft was operating a flight from Rio de Janeiro, Brazil to Paris, France. All 216 passengers and 12 crew are feared to have been killed.

FORTHCOMING RENEWALS

HULL AND LIABILITY

2009 RENEWAL AND NET PREMIUM DISTRIBUTION



For Programmes with an AFV in excess of US\$100 million

As the second quarter of the year draws to a close there are 11 risks expected to renew during June. Two of the larger renewals in June 2008 (in terms of exposure) will now renew later in the year. Ethiopian Airlines will renew in July, having had a 13 month period in 2008. Mexicana will now renew in September having extended its expiring period of insurance. Underwriters appear to have successfully achieved a trend that is moving forward, even if it is not all that they may have hoped for.

Unlike April and May there are no programmes with an AFV in excess of US\$5 billion in June. There are now only two risks expected to renew with an AFV between US\$1-5 billion, with the remainder having an AFV between US\$1 billion and US\$100 million.

The geographic spread of renewals is also varied with eight risks domiciled in Europe, with one each in the Far East, India and South America. There are no carriers from North America or Africa expected to renew. In 2008 June generated 3% of the years' premium a figure that is likely to fall in 2009.

AIRLINE	RENEWAL DATE	EXPRING AFV US\$M
EVA AIRWAYS	1-JUN-09	4,130
ISRAIR	1-JUN-09	133
WINDJET	4-JUN-09	291
SKYEUROPE AIRLINES	8-JUN-09	647
VIM - AVIA AIRLINES	10-JUN-09	280
BULGARIA AIR/HEMUS	11-JUN-09	245
UZBEKISTAN AIRWAYS	15-JUN-09	430
EUROATLANTIC	17-JUN-09	133
AEGEAN AIRLINES	18-JUN-09	979
KINGFISHER AIRLINES	24-JUN-09	4,225
LIAT	27-JUN-09	108

This slowdown in renewal activity inevitably results in attention becoming drawn to the July renewals, for which in many cases the renewal negotiations will have commenced; July is now the third busiest month both in terms of the number of renewals and premium income generated, with 23 risks scheduled to renew including Alaska Airlines, American Airlines and Federal Express. It offers the first real chance to see what treatment the U.S. carriers will receive from the world's insurance markets. In 2008 the month generated over US\$225 million in premium or 13% of the years premium.

We believe that insurers will continue to be successful in their efforts to increase premiums for those risks renewing and are likely to seek even higher increases in the following months. The market does however remain finely balanced and if the industry were to see a major loss it is likely that pressure on insurers to raise premium levels significantly would increase further.

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