

# GAB

global\_aviation\_bulletin@willis.com

W B

March 2008 - Edition No. 150

## Aerospace on the Move

Aerospace are very pleased to announce that they will be moving into the new Willis building located at: 15 Lime Street, London, on April 14th 2008. Please note that as a result our office will be closed from midday on the 11th April to allow for all our files and infrastructure to be transferred, we will only be able to use mobile communications to contact your Willis representative during this time. Also we will be utilising new telephone numbers from the 14th April. For your information the switchboard number is +44 (0)20 3214 6000, all email addresses will remain unchanged.



# Airline Hull and Liability

## Airline Insurance Review

### February 2008 Airline Renewals

There were just 4 renewals in February, (meeting our selection criteria\*), being Air Finland, Eos (USA), Lotus Air (Egypt) and Sky Net Asia (Japan). The largest of these risks in terms of Average Fleet Value (AFV) was EOS with an AFV of US\$250m, although as a pure business class airline their passenger numbers are low in comparison to similar size carriers.

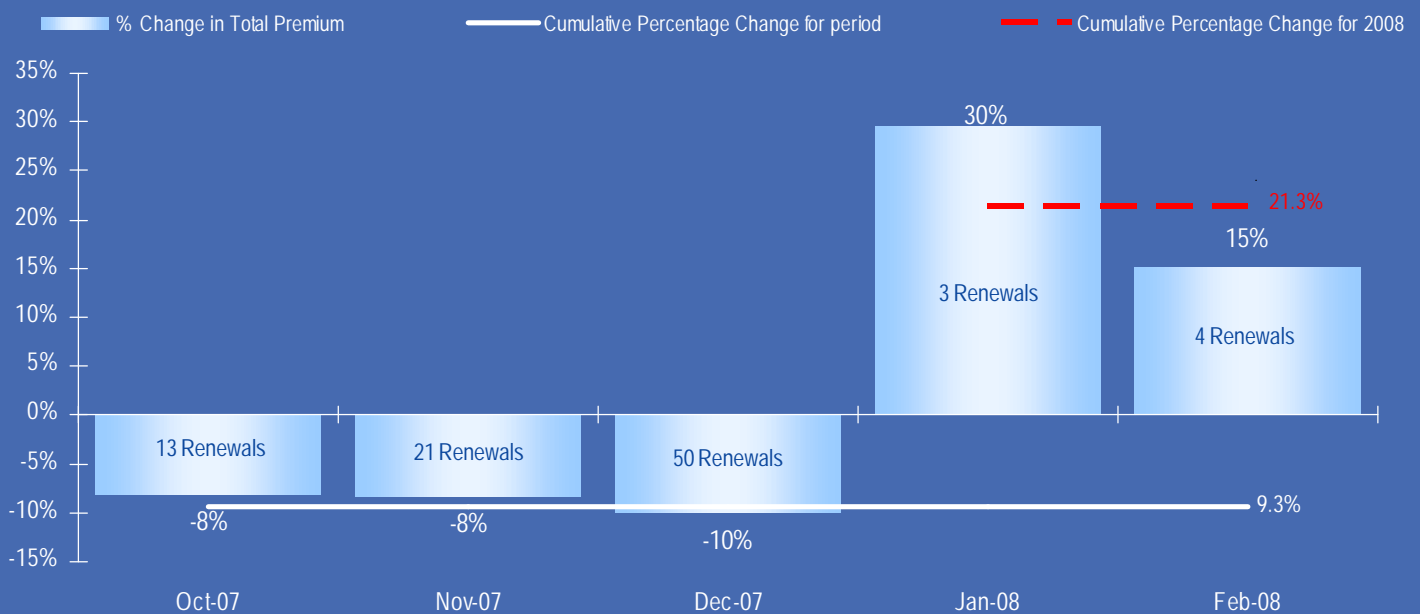
The small volume of activity is reflected in the level of premium generated during the month, which totalled just US\$5.8m, a 15.2% increase in premium on a like-for-like basis from last year. This is a smaller increase in premium than that seen in January, primarily a consequence of lower exposure growth in February. The monthly AFV totalled just US\$614m, an increase of 26.8% (42% in January). Passenger numbers totalled 2.6m, an increase of 26% (69% in January).

The level of renewal activity was considerably reduced when compared with 2007, as the largest risk in February 2007, MyTravel, no longer renewed in February 2008 following its purchase by the Thomas Cook Group. Additionally, Izmir Airlines is now part of the Pegasus Hava Tasimaciligi programme; Satena now renews in December and Lineas Aereas Aztecas has ceased operations.

The total premium generated in the first two months of 2008 was US\$10.6m an increase of 21.3%. This is a very small volume of premium compared with US\$304m in November and US\$745m in December 2007. Reductions in rate have continued to be negotiated in 2008 but at a lower level than those seen in the fourth quarter of 2007. However, the small sample of renewals involved makes it unwise to draw anything but broad based conclusions from these figures.

The level of premium generated since 1<sup>st</sup> October 2007 is US\$1,111.9m, a reduction of 9.3%.

## Gross 4<sup>th</sup> Quarter 2007 & 2008 Premium Movements



Premium movement % derived from Airlines Renewing with Average Fleet Value US\$100m and greater. Comparisons made from annual renewal figures year-on-year. It should be noted that due to the relatively small sample of renewals in some months, that the comparisons with 2006 / 2007 can be distorted by the renewal of a small number of major risks and should be treated with caution.

### Forthcoming renewals

Renewal activity in March increases on January & February; with 10 renewals (meeting our selection criteria\*). These are Air Nostrum (Spain), Bangkok Airways (Thailand), Iranair, Iran Aseman Airlines, Inter Ekspres (Turkey), Israil (Israel), Free Bird Airlines (Turkey), KD Avia (Russia), Tradewinds (USA) and Varig Log (Brazil). Air Nostrum is the largest risk to renew in terms of AFV with a value in excess of US\$1.1bn.

Although not all information on March renewals is currently known, the level of rating reduction is similar to that seen in the first two months of 2008.

### April

With 23 risks (meeting our selection criteria\*) scheduled to renew in April, renewal activity shows a marked increase, with more risks expected to renew in one month than the entire 1st quarter of 2008. British Airways will be the largest risk to renew during the month and will give the first indication of how underwriters will treat the 'mega carriers' and other large renewals later in the year, (although it should be remembered that it suffered a total loss of a B777 in January.) It will also be the first month in 2008 where meaningful conclusions can be drawn on market trends. In 2007 the month generated 7.4% of the year's annual premium, making it the 4<sup>th</sup> highest month. Risks\* expected to renew are detailed in the table below.

### April Renewals

Air Astana	Air Tahiti	Galaxy Airlines	Royal Brunei Airlines
Air Berlin	Arik Air	Hainan Airlines	Sky Airlines
Air Italy	Astraeus	Hola Airlines	SpiceJet
Air Madagascar	British Airways	Jet Airways (India)	SriLankan Airways
Air Mauritius	Corse Mediterranee	Meridiana Group	TAME
Air Comet	Evergreen International	Neos	

\*The selection criteria used for analysis is: Programmes with an Average Fleet Value (AFV) in excess of US\$100m.

# Airline Hull and Liability

## 2008 Hull & Liability Gross Premium % Change Analysis

2007	AFV % Change	PAX % Change	2006 Premium US\$ m	2007 Premium US\$ m	US\$ m Premium Change	Premium % Change
October	13.1%	13.2%	57.92	53.17	-4.8	-8.2%
November	14.0%	14.2%	331.37	303.51	-27.9	-8.4%
December	5.4%	7.1%	827.36	744.67	-82.7	-10.0%
Q4 Summary			1,216.7	1,101.4	-115.3	-9.5%

2008	AFV % Change	PAX % Change	2007 Premium US\$ m	2008 Premium US\$ m	US\$ m Premium Change	Premium % Change
January	41.6%	69.3%	3.7	4.8	1.1	29.5%
February	26.8%	25.8%	5.0	5.8	0.8	15.2%
Q1 Summary			8.7	10.6	1.9	21.3%
2008 to Date			8.7	10.6	1.9	21.3%
October 2007 - February 2008			1,225.4	1,111.9	-113.4	-9.3%

Premium movement % derived from Airlines Renewing with Average Fleet Value US\$100m and greater. Comparisons made from annual renewal figures year-on-year

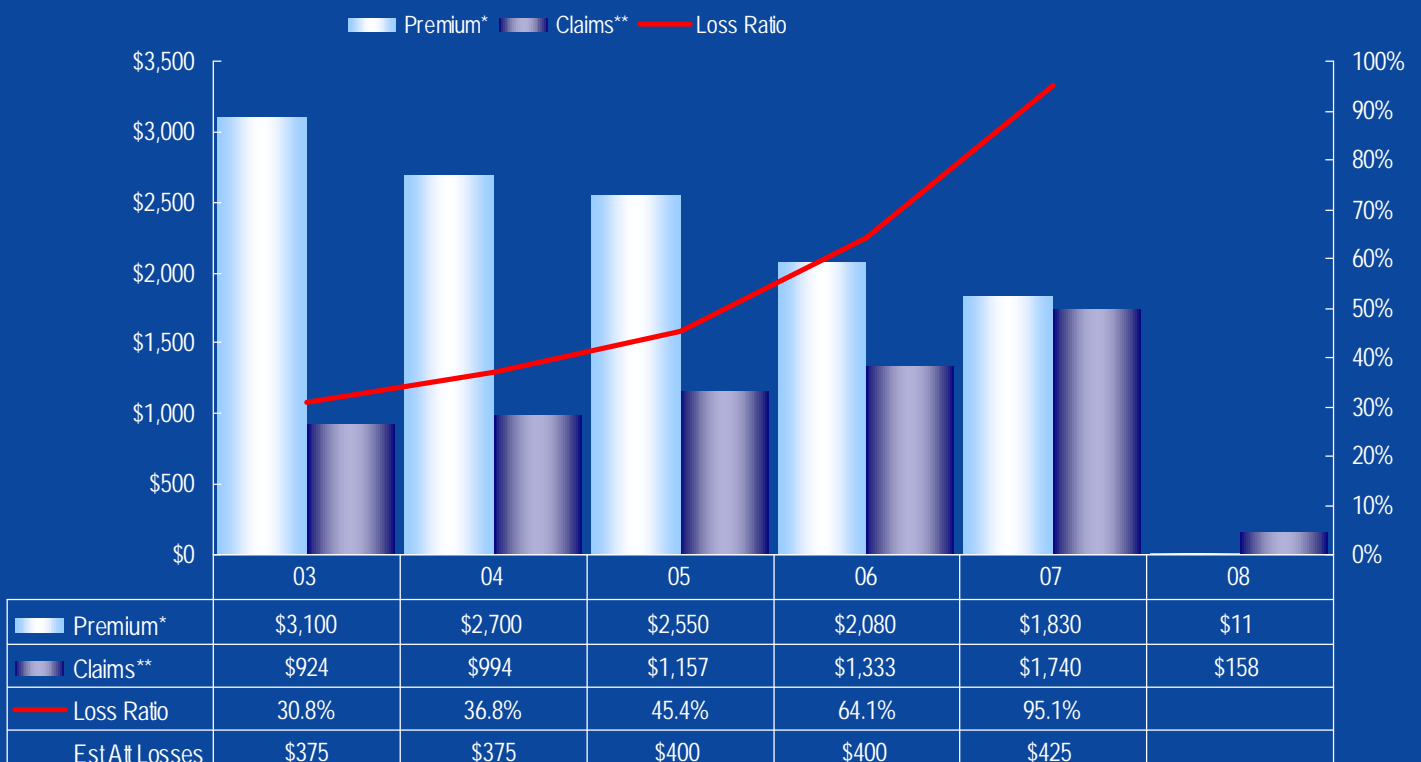
## Losses

The current loss figure for 2008 (to date) is US\$158m. This figure does not include reserves from some recent losses that are still to be confirmed. Recent incidents that may result in significant reserves are detailed below.

**6<sup>th</sup> March 2008** - Manunggal Air, Transall C-160NG, PK-VTQ, Wamena Airport, Indonesia. On landing, sparks and flames were seen coming out the aircraft's left wheel before a large fire erupted that resulted in the aircraft being destroyed. All eight crew and passengers were able to escape without serious injury.

**10<sup>th</sup> March 2008** - Adam Air, Boeing 737-400, PK-KKT, Batam Airport, Indonesia. The aircraft veered off the runway after landing in heavy rain. The aircraft's right main undercarriage collapsed. All five crew and 169 passengers escaped without injury.

## World Wide Airline Hull & Liability Premium & Claims - 2003 – 2008 (Gross US\$m)



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

## Budapest, Beijing Capital approve Era ground surveillance system

Era Corporation recently achieved site acceptance of its automatic dependent surveillance-broadcast (ADS-B) and multilateral surveillance systems at the Beijing Capital and the Budapest Ferihegy international airports. Both systems provide controllers with safety-boosting position data for aircraft on the surface of the airport, both through GPS data for ADS-B-equipped aircraft and through triangulation methods (multilateration) for aircraft with traditional transponders. With either approach, the systems are designed to provide higher accuracy, greater update rates, better coverage and improved reliability when compared to traditional radar while offering much lower initial cost and with lower annual maintenance costs.

At Beijing, the approval by the Civil Aviation Administration of China (CAAC) comes in advance of the 2008 Summer Olympics, which is expected to generate an "extreme increase in movements" at the airport. At Budapest Ferihegy, the surface surveillance system has achieved site acceptance with Hungarocontrol. The system uses strategically placed sensors to provide extended coverage of runways, taxiways and aprons, improved automation of aircraft identification and enhanced surveillance in all weather conditions.

Source: Air Transport Intelligence news

## UK CAA warns of escape slide safety risk

Faulty aircraft escape slides frequently put the lives of passengers at risk, according to the findings of a UK study into the main causes of maintenance-related incidents on aircraft.

It proposes a more in-depth study of escape slide upkeep, recommending that efforts to solve persistent problems should focus on airlines that have few problems, as a source of best practice. Published late last year, the study analysed a selection of maintenance-related incidents on jet aircraft above 5,700kg (12,560lb) maximum take-off weight, logged under the requirements of the CAA's Mandatory Occurrence Reporting (MOR) scheme in an effort to identify common causes or factors.

The CAA's Safety Regulation Group says its analysis would help it focus on areas there was still work to reduce the number of maintenance errors.

The CAA will continue to analyse maintenance incident occurrence reports to monitor trends and to work closely with groups like the Royal Aeronautical Society's HF-Engineering group, UK Confidential Human Factors Incident Reporting Scheme's MEMS Group and the European Aviation Safety Agency's HF Maintenance Focus Group to understand why maintenance errors occur and what can be done to reduce the number of occurrences.

Source: Flight International

## FAA issues new certification rules for helicopters

Starting on 31 March, 2008 helicopter manufacturers certifying their products in the USA will face multiple new requirements. These were made necessary by recent technological advances in design, and operational trends in performance and handling qualities. According to the Federal Aviation Administration (FAA).

Included in the new rules are requirements to determine the out-of-ground effect (OGE) hover performance, a change the FAA says is needed because OGE operations have become commonplace. The agency will also require manufacturers of multi-engine helicopters to demonstrate landings with one engine inoperative - initiated from an established approach, and will require engine restart capability. Which is a fundamental necessity for any aircraft to minimise the risk of a forced landing.

According to the FAA the most recent major rulemaking that addressed rotorcraft performance and handling qualities was more than 20 years ago, though it notes that most rotorcraft manufacturers have routinely exceeded the minimum safety requirements in the certification rules.

Source: Flight International

## European Parliament adopts common security regulation

Representatives of the European Parliament have adopted the new regulation for common aviation security rules following the conciliation agreement reached with the European Council in January with 583 votes in favour, 21 against and 35 abstentions.

Common security regulations - covering passenger- and baggage-screening, access control and aircraft checks - have been the subject of extensive negotiations. The new rules will come into force 20 days after publication in the Official Journal and subsequently applied within two years. The new regulation is designed to allow the European Council to react more flexibly, but also ensure that controls are strict and efficient without causing excessive inconvenience for passengers. States will be free to apply more stringent measures as long as they are relevant, non-discriminatory and proportional to risks.

Financing and transparency principles - safeguarding undistorted competition between airports and airlines, will be the subject of an upcoming European Commission report. The Commission will present a report by 31 December which will consider the steps needed to ensure security charges are used exclusively to meet security costs.

The use of in-flight security personnel, or sky marshals has been particularly debated during the development of the regulation. Although deployment of sky marshals will not be compulsory. But states choosing to use them must ensure they are specially selected and trained. Weapons will be prohibited from carriage on board aircraft, (except in the hold), unless the required security conditions, under national law, have been fulfilled and authorisation has been granted by the states involved.

Source: Air Transport Intelligence news

The Global Aviation Bulletin is intended to inform our clients and others of issues and developments within the aerospace insurance markets. Whilst every effort is made to ensure the accuracy of the information contained herein, Willis Limited accept no responsibility for any errors or omissions in the information, or their consequences.

\*The selection criteria used for analysis is: Programmes with an Average Fleet Value (AFV) in excess of US\$100m.

Willis Limited, Registered number: 181116 England and Wales.  
Registered address: 51 Lime Street, London, EC3M 7DQ.

A Lloyd's Broker. Authorised and regulated by the Financial Services Authority.

### [Global\\_Aviation\\_Bulletin@willis.com](mailto:Global_Aviation_Bulletin@willis.com)

Gemma Li +44 20 7860 9055  
Steve Lodge +44 20 7860 9156  
Sham Mahabir +44 20 7488 8128  
Brad Ottolangui +44 20 7488 8122  
Paul Wrenn +44 20 7488 9160

[lig@willis.com](mailto:lig@willis.com)  
[lodges@willis.com](mailto:lodges@willis.com)  
[mahabirs@willis.com](mailto:mahabirs@willis.com)  
[ottolanguibg@willis.com](mailto:ottolanguibg@willis.com)  
[wrennp@willis.com](mailto:wrennp@willis.com)