

# IMPACT

## 2009 WILLIS 50 AIRLINE PROGRAMMES vs OTHER MARKET PROGRAMMES

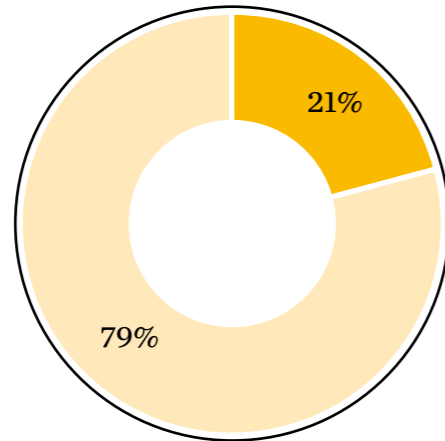
237 Programmes with an AFV in excess of USD 100 million

To highlight the market impact and influence of the Willis 50 the following charts use the overall 2009 market data to highlight the relative exposure, premium and five year credit balance contributions to the overall market.

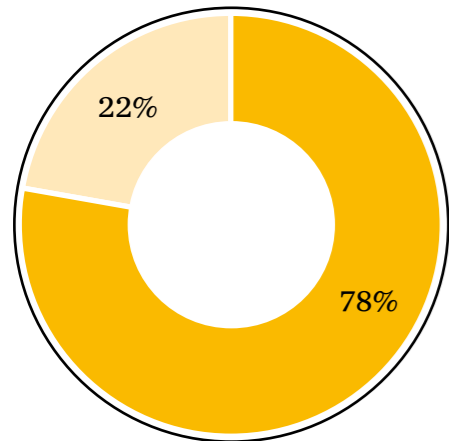
### LEGEND

- Top 50 Airline Programmes
- Other Market Programmes

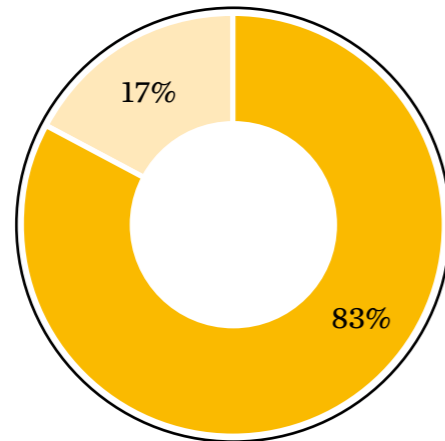
NUMBER OF PROGRAMMES (PERCENTAGE SHARE)



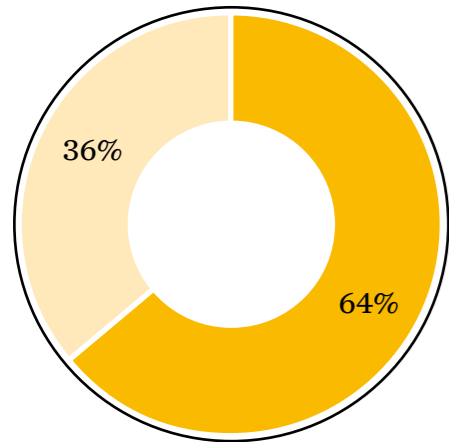
AVERAGE FLEET VALUE (PERCENTAGE SHARE)



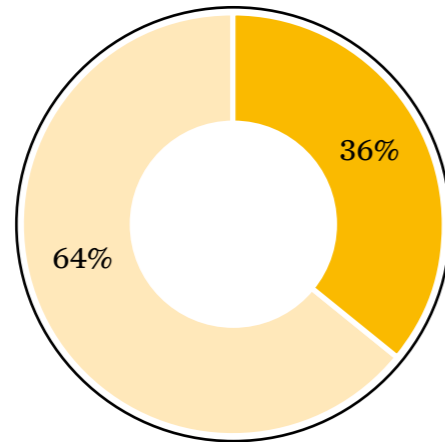
PASSENGER NUMBER (PERCENTAGE SHARE)



PREMIUM (PERCENTAGE SHARE)



CREDIT BALANCE (PERCENTAGE SHARE)



# Willis



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# REACHING NEW HEIGHTS

# THE WILLIS 50 INDEX

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The airline industry consolidation that has taken place in recent years has had a significant knock on effect to the airline insurance purchasing arena. The general increase in insurance programme size and in particular the rise of group programmes along economic, regional or alliance lines has developed what Willis believe to be very much a two tier and perhaps even three tier market for airline insurance purchasing.

It is with an understanding of this change in market dynamics that we have chosen to split our market trending and analysis between the largest 50 programmes, by passenger volume, and the other market placements through The Willis 50 Index.

This change in our approach to market analysis is in no way designed to diminish the importance of the airlines and/or the programmes outside the 50 but is reflective of the fact that there is an increasingly distinct market treatment and influence between the largest programmes and the overall market result. It is therefore designed to be of greater relevance to airline insurance buyers in either segment.

Further illustration of the need for a change in the market trending and analysis comes from our calculation that over the past three years these 50 programmes have included 18 airlines or other programmes through consolidation activity in the industry or to allow buyers to capitalise on the links that will deliver economies of scale. This consolidation has resulted in these programmes growing by just 10% in terms of fleet value and 1% in overall passenger numbers.

This difference in treatment is highlighted in the 2009 renewal summary table below. The premium change for the Willis 50, the market as a whole and also the programmes with fleets in excess of USD 100 million but outside the Willis 50 are virtually identical. The exposure changes are very different however with the impact of the economic downturn being clearly reflected in the fleet and passenger exposure of the largest airlines that constitute much of the Willis 50. In addition to these exposure differences it is worth noting that the majority of the major losses during 2009 came from programmes within the Willis 50.

## HULL AND LIABILITY 2009 PERCENTAGE CHANGES

	AFV % Change	PAX % Change	2008 Net Premium USD M	2009 Net Premium USD M	USD M Premium change	Premium % change
Market Risks Excluding Willis 50 Programmes	14.7%	5.6%	565.4	675.9	110.5	19.54%
Willis 50	2.3%	-2.2%	1,057.2	1,265.6	208.5	19.72%
All Programmes Excess USD 100 million	4.9%	-0.6%	1,622.6	1,941.5	318.9	19.66%

# CONTRIBUTION

Airline insurance has always been a purchase that provides economies of scale to buyers. It has long been believed that the larger programmes gain significant benefit in comparison with the larger volume of smaller buyers. This is clearly highlighted by our Willis 50 contribution analysis. When looking at the overall market premium volume and the level of premium and exposure contribution being provided by the Willis 50 we can see that the relative benefit they enjoy is approximately 15%. This benefit obviously varies significantly within the Willis 50 depending on sector, programme record and region. Even with a credit balance that is far below both the exposure and premium contribution made by this group of programmes it is clear that in airline insurance purchasing, size matters.

## WILLIS 50 PROJECTED PERCENTAGE CONTRIBUTION TO MARKET PREMIUM AND EXPOSURES

Willis 50	Fleet Value	Passengers	Premium	Hull Premium	Liability Premium	Credit Balance
2009	78.30%	83.10%	64.32%	50.91%	72.00%	36.10%

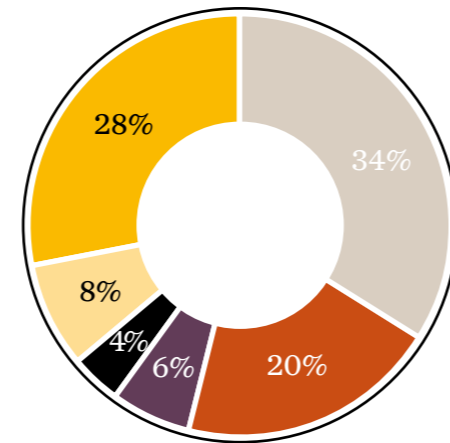
# REGIONAL VARIATION

The industry maturity across the globe has and continues to witness significant change. Again this industry change is reflected in the Willis 50 programmes which break down on a regional basis as follows:

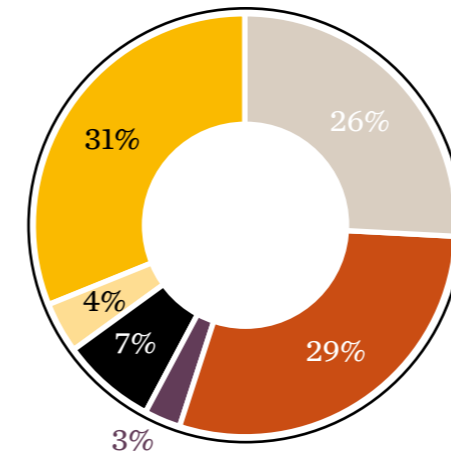
## WILLIS 50 AIRLINE PROGRAMMES REGIONAL DISTRIBUTION



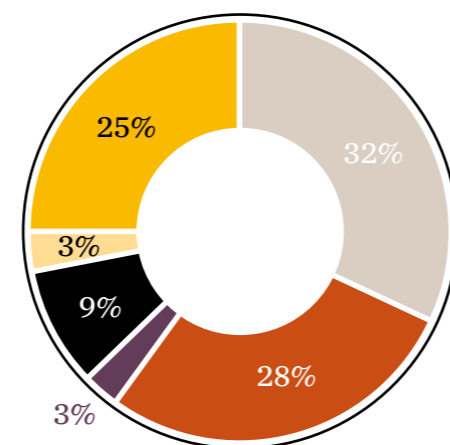
BY NUMBER OF PROGRAMMES



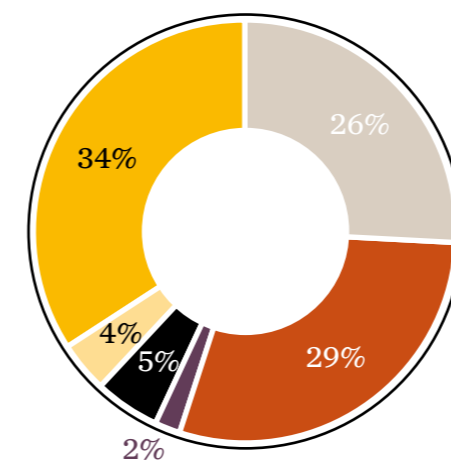
BY PREMIUM



BY AVERAGE FLEET VALUE



BY PASSENGERS



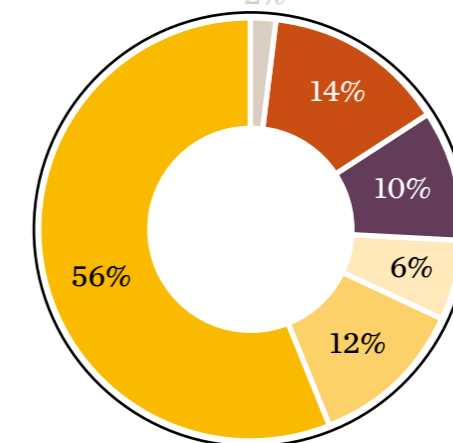
# RENEWAL PROFILE

The market renewal profile has become increasingly concentrated into the final quarter and particularly the last six weeks of the year. This has meant that outside this period the largest programmes have the potential to distort the overall market averages and trends. This is certainly the case for the Willis 50 programmes that have a renewal profile that is broken down by quarter as follows:

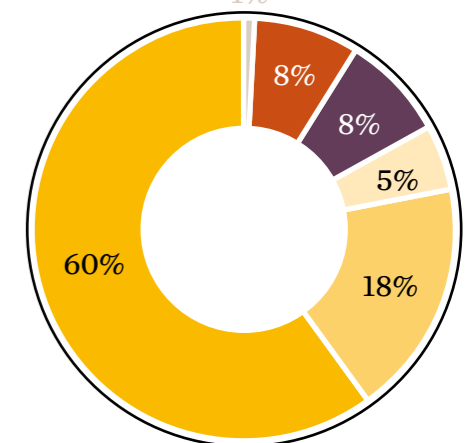
The separation of the largest programmes from the overall will allow us to remove much of this distortion and establish a relevant market trend for the smaller programmes.

## WILLIS 50 AIRLINE PROGRAMMES RENEWAL DISTRIBUTION

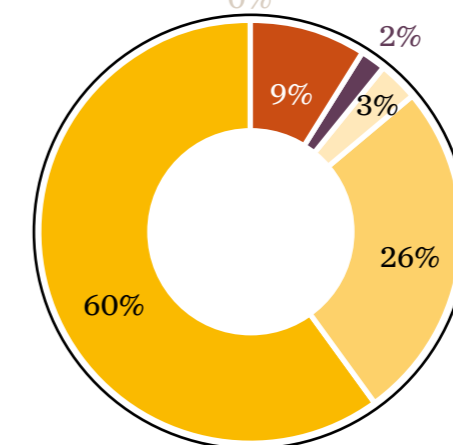
BY NUMBER OF PROGRAMMES



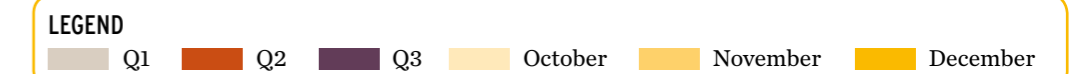
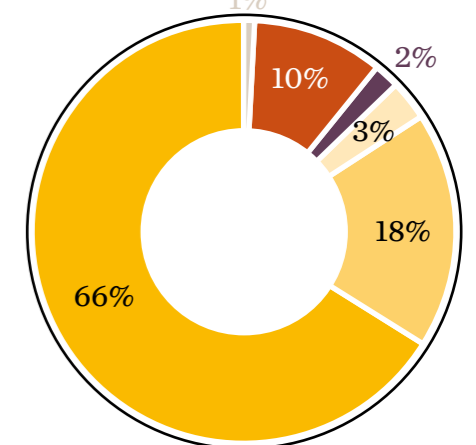
BY PREMIUM



BY AVERAGE FLEET VALUE



BY PASSENGERS



# ANALYSIS

Establishing the Willis 50 provides us with a distinct advantage in producing increasingly relevant market analysis of airline insurance purchasing. Whether included within the 50 or purchasing an insurance programme, with the majority of programmes outside this group, buyers will have a much greater understanding of the market treatment they can expect.

The change that has taken place in the airline industry is undoubtedly set to continue and therefore the components of the Willis 50 will continue to change from year to year, it just remains to be seen how!

**“AIRLINE INSURANCE HAS ALWAYS BEEN A PURCHASE THAT PROVIDES ECONOMIES OF SCALE TO BUYERS”**