



#### Q4 2023 MARKET TRENDS

# Aviation

At the beginning of 2023, the aviation insurance market improved across all segments, resulting in a more favorable aviation underwriting environment than in previous years. Despite this positive start, the anticipated hardening of the market began over the summer, with renewal rate increases between 5-10%.

The market continues to see rate increases in aviation general liability placements and other loss-leading areas. The immediate focus of domestic aviation insurers is capturing single-digit rate increases upon renewal. However, some are now actively competing on renewals for desirable business (professional flown industrial aid risks, small airports and aerospace product manufacturers) and insureds considering changing markets. Large fleets, airlines, large airports and loss-sensitive risks continue to be impacted by changes in coverage offerings, limits and rates.



## Market Impacts

The ongoing Russia/Ukraine conflict and the aviation reinsurance marketplace continue to present double-digit premium rate increases to aviation insurers. In early September, it was indicated that increases are anticipated through 2024.

Over 400 leased aircraft, valued at \$10 billion, cannot depart from Russia after European Union sanctions forced the termination of leases. As a result, the reported hull war claims total \$6.5 billion. This month, Aercap, the world's largest aircraft lessor, agreed to settle an insurance claim over Russia's refusal to return planes stranded in the wake of the Ukraine invasion. This is the first settlement thus far.

Another major factor impacting reinsurance rates is the Boeing 737 Max grounding loss. The claim has increased from \$1.3 billion to \$3 billion, and the continued impact will have unknown pressure on the

market as we move toward the end of the year. The immediate impact is on contingent liability, war risk and terrorism premiums. As a result of this loss, Tokio Marine will exit the aviation retroactive insurance market, adding further pressure and withdrawing capacity from the space. Retroactive insurance provides coverage for losses that have already occurred but have not yet been reported. Tokio Marine notified cedants it will discontinue its aviation retractive book while the Boeing loss continues to ripple through the market.

The 2023 Sudan Crisis has also contributed to significant losses. A new, privately-owned Airbus A330 and several Boeing airline aircraft were declared a total loss, resulting in a loss of \$300 million to the global Aviation market. This will affect aviation carriers globally going into 2024.



### Preparing for Renewals

With recent promotions and changes, aviation underwriting carriers continue to see changes in their underwriting ranks. For a successful renewal outcome, insureds are encouraged to work through any anticipated challenges and, if possible, consider renewing proactively up to thirty days in advance. Those who offer clear underwriting information and consistent safety management protocols receive the most competitive balance of rate and coverage.



## How Brown & Brown Can Help

Connect with our Brown & Brown team to learn about our knowledge in your industry, how we build our risk mitigation strategies and how we can aid your business in building a cost-saving property & casualty program.

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