



Q2 2024 MARKET TRENDS

Aviation

Positive trends are expected to continue across various segments in the aviation sector throughout the second quarter of 2024. Available capacity within the primary aviation insurance marketplace has increased as three additional insurers entered the market during the past 18 months. These entrants provide insurance at lower coverage limits but may increase available capacity and underwriting appetite. This increased capacity could continue to present competitive pressure within the marketplace.

Premium increases are stabilizing after experiencing four years of a challenging aviation insurance market. These market conditions are defined by increased insurance premiums and underwriting requirements combined with coverage limit reduction or removal of coverage upon renewal. Many aviation insurers present renewal terms at single-digit increases or even as “expiring” to customers, which is viewed as a preferred risk with little change to exposures. Preferred risks are those having a favorable loss history, operating newer aircraft and being crewed by qualified pilots who completed annual training on their specific make and model. The market has witnessed significant adjustments in coverage offerings, limits and rates, particularly impacting large fleets, airlines, large airports and loss-sensitive risks.

Market Impacts

The frequency of catastrophic aviation losses has slowed in recent years, but their severity has increased significantly. Ongoing geopolitical events have significantly influenced market dynamics, especially in the aviation reinsurance marketplace. Primary aviation insurers experienced double-digit rate increases to their reinsurance premiums and increased retention levels they must absorb before collecting reinsurance. It is now common for these insurers to have additional requirements, exposing much more capital than in previous years. European Union sanctions have stranded over 400 leased aircraft in Russia, valued at \$10B, resulting in substantial hull war claims totaling \$6.5B.

The settlement of a \$10B insurance claim by Aercap, related to Russia's refusal to return planes stranded after the invasion of Ukraine, has marked a consequential development. The Boeing 737 Max grounding has undergone an escalation in losses, increasing from \$1.3B to \$3B. This has had cascading effects on contingent liability, war risk and terrorism premiums. War risk renewals are experiencing upward adjustments, with aviation insurers modifying hull war rates to counteract losses.

Challenges and Opportunities

The second quarter of 2024 presents new challenges and opportunities. Inflation has become the latest hurdle in the already challenging insurance market. The aviation industry is grappling with rising oil prices, impacting overall profitability. A labor shortage stemming from increased demand for air travel and a limited supply of pilots and technicians has prompted underwriters to tighten training requirements, resulting in higher training costs for simulators and instructors. In addition, overall claims costs are rising as aircraft valuations continue to increase with the advances in technology and construction.

Despite these challenges, the aviation insurance market is witnessing new entrants and a recalibration of capacity that will continue to present competitive pressure. As we progress through this year, there is a sense of optimism as books are balanced, risks are undertaken, and retentive measures are strengthened. However, a catastrophic loss or a series of attritional losses could dramatically impact the stability of the current aviation marketplace.





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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