

# Trending in the Aviation Market – Q4 2023

The announcement on 6 September of the \$645,000,000 AerCap insurance settlement for 17 jets and spare parts has hit the market. This appears to be the first 17 of up to (reportedly) 400 western jets in Russia tied up due to sanctions that forced lessors to cancel hundreds of leases. Russia then refused the aircraft to leave. (Reuters 6 Sept 2023) The potential insurance claim for the remaining aircraft appears to be near \$10,000,000,000. Social inflation continues to hit the insurance industry with continued record setting jury awards.

## What's happening in the market?

Capacity continues to be available in the US marketplace for a majority of general aviation risks. There have been at least two new aviation insurance underwriters that have entered the US market in the last 18 months...with a third coming soon.

The Global reinsurance marketplace was hit with significant losses in '22 with \$115,000,000,000 (\$115 Billion) in losses related to Hurricane Ian and other natural catastrophes.

Some policy forms are being changed with added exclusions for Russia, Ukraine, Belarus and beyond.

War Risks rates have increased, in some instances more than 100% yet are normally a small percentage of the overall premium.

## Projected Rate Increases

Piston General Aviation – 5-10%

Turbine General Aviation – 5-15%

Commercial (including charter) – 5-15%

Commercial Helicopter – 10-20%

## Issues in the aviation industry

- Market prioritizing pricing of their existing book of business over pursuit of new business
- Pricing uncertainty resulting the Russia/Ukraine & Israel/Palestine wars
- There is a lack of talent throughout the entire aviation industry
- Social inflation is a cause of concern for insurers
- Environmental pressures are mounting calling for companies to limit their CO<sub>2</sub> footprint. Aircraft manufacturers, fixed base operators, aircraft owners and fuel suppliers are all feeling this pressure
- Supply chain challenges are hampering the ability to efficiently adjust insurance claims
- Aircraft part price escalation expected to continue in 2023

## Aviation Losses

### Major losses – Last 12 months

Piaggio Avanti II - Costa Rica (6 fatal) – Oct '22

Meridian - Nebraska (2 fatal) – Nov '22

Cessna 208B - Washington (4 fatal) – Nov '22

Metroliner - Wisconsin – Nov '22

ATR 42-500 Philippines (19 fatal) – Nov '22

B-17G / King Cobra mid-air Texas (6 fatal) – Nov '22

King Air C90B Hawaii (3 fatal) – Dec '22

King Air B200 – Arkansas (5 fatal) Feb '23

PC-12 – Nevada (5 fatal) – Mar '23

Challenger – NY – (1 fatal) Mar '23

Citation – Virginia – (5 fatal) June '23

C177RG – NY – (2 fatal) Oct '23

C208B – Brazil – (12 fatal) Oct '23

## 2022 Milliman Report on the U.S. general aviation market

- \$2.7B in written premium...a 10% increase over '21
- 4% underwriting profit over each of the last two years ('21 - \$92M and '22-\$100M)
- 2% underwriting profit from '08 through '21
- \$700M lost in '16 – '20
- Claim inflation
  - Liability Claims – higher settlement values
    - Median value of award in 2007 - \$1,500,000
    - Median value of award in 2022 - \$5,100,000
    - Runaway liability verdicts (2018 - \$116M and \$148M)
    - Texas jury awards \$352M to United Airlines employee paralyzed at George Bush Int'l Airport
  - Hull Claims - Cost to repair next generation aircraft (engines, composite material, labor cost, etc.)
- Losses in '22 were higher than recent years and have more than doubled since 2014
- Ceded premium to the reinsurance market is up to nearly 50%...belief is that the combination of years of unprofitability and concerns over emerging claim severity.

## Aircraft (all perils) Combined Ratio

### Per NAIC report of 2022 full year results

Insurance companies use the Combined Ratio as one measure of performance. Percentages more than 100 reflect claims & expenses are outpacing premiums.

$$\text{Combined Ratio} = \frac{(\text{Incurred Losses} + \text{Expenses})}{\text{Earned Premiums}}$$

The National Association of Insurance Commissioners released a report in 2022 reflecting the prior 10 years results in the US. Aircraft (all perils) had the following results (shown are the year, combined ratio and financial results if available) Note: 2011 is from historical data:

2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2020
	90.9%	107.0%	131.2%	111.5%	109.2%	113.1%	100.7%	89.1%	99.5%	98.5%	102.6%	107.0%
\$100M	\$92M	(\$52M)	(\$285M)	(\$130M)	(\$192M)	(\$34M)						(\$52M)

**WE'RE ALWAYS HERE FOR YOU**

**[248] 666-4400**

**LLJOHNS**  
AVIATION INSURANCE

