

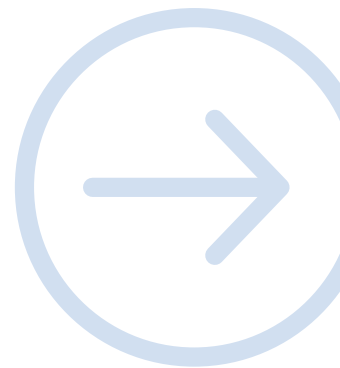


Q1 2024 MARKET TRENDS

# Aviation

In the aviation sector, positive trends are expected to shape the market across various segments during the first quarter of 2024. There has been an overall improvement, with rate increases observed in historically challenging areas such as aviation general liability.

Domestic aviation insurers are strategically focused on achieving single-digit rate increases during renewals, intensifying competition for coveted business segments, including professional flown industrial aid risks, small airports and aerospace product manufacturers. 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

Ongoing geopolitical events have significantly influenced market dynamics. The Russia/Ukraine conflict and its impacts on the aviation reinsurance marketplace have led to double-digit premium rate increases. European Union sanctions have stranded over 400 leased aircraft in Russia, valued at \$10 billion, resulting in substantial hull war claims totaling \$6.5 billion. Furthermore, the settlement of a \$10 billion insurance claim by Aercap, related to Russia's refusal to return planes stranded after the Ukraine invasion, has marked a consequential development.

The Boeing 737 Max grounding has undergone an escalation in losses, increasing from \$1.3 billion to \$3 billion. This has had cascading effects on contingent

liability, war risk and terrorism premiums. The exit of Tokio Marine from the aviation retroactive insurance market, prompted by losses associated with the Boeing incident, has contributed to a reduction in capacity within this sector. The 2023 Sudan conflict has also profoundly impacted the market, resulting in significant losses, including a \$300 million loss from a new Airbus A330 and several Boeing airline aircraft declared total losses. The global repercussions of the Sudan Crisis on aviation carriers are anticipated to unfold in 2024. War risk renewals are also experiencing upward adjustments, with aviation insurers modifying hull war rates to counteract losses.



## Challenges and Opportunities

The first quarter of 2024 presents new challenges and opportunities. Inflation has become the latest hurdle in the already challenging insurance market, propelling a continued premium increase. 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.

Despite these challenges, the aviation insurance market is witnessing new entrants and a recalibration of capacity. As we progress through 2024, there is a sense of optimism as books are balanced, risks are undertaken, and retentive measures are strengthened.



## 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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