



Q1 2025 MARKET TRENDS

Aviation



The aviation insurance marketplace has endured various challenges in recent years, resulting in significant changes to available capacity and overall rating. Positive trends are expected to continue into 2025, with the abundance of capacity within the worldwide aviation insurance marketplace being a key driver. The rate increases experienced before the pandemic attracted new carriers and managing general underwriters to deploy capacity into aviation risks. Premium increases stabilized when combined with the decrease in flight activity and risk of claims during the pandemic. 2025 is anticipated to maintain a competitive atmosphere as new entrants pursue opportunities to increase their market share while legacy aviation insurers focus on continued innovation and customer retention.

Market Impacts

While the aviation sector has made positive trends, many challenges remain. Challenges include soaring aircraft repair costs and the shortage of qualified aviation mechanics. The labor shortage continues to influence underwriters' pilot training requirements, increasing demand for simulator training resources that are limited to instructor availability. Insurance claim costs across the sector are becoming some of the highest value and highest profile losses compared to other incidents like natural disasters. The lack of skilled mechanics, limited availability of aircraft parts and increased replacement part costs have risen significantly. Ground handling claims, weather issues and technical problems, coupled with the ongoing geopolitical climate, have had impacts on the market dynamics in the reinsurance sector.

In 2024, hundreds of orders previously placed for new aircraft were delayed delivery due to manufacturing challenges involving supply chain issues. Ongoing supply chain constraints for aircraft parts and engines and a growing demand for maintenance, repair and overhaul (MRO) facilities will continue.

Emerging Technology

The future of aviation is full of exciting innovations and technological advancements that will significantly impact the industry. Aviation insurers are actively monitoring emerging technology and the regulations associated with electric vertical take-off and landing (eVTOL) aircraft and the Urban Air Mobility market. Innovations like autonomous cockpits and electric propulsion are developed with promises of increased safety and sustainability. As they move closer to commercial use, these innovations will likely shape future insurance needs and risk profiles.

However, with this emerging technology comes its unique risks. Data privacy and safety standards will be a top concern as increased cyber threats weigh heavily among aviation industry leaders. Additionally, AI could help drive continued innovation and expansion as we look to space as the new frontier. Entering the new year, the continued sense of optimism remains.

Challenges and Opportunities Outlook

2025 is anticipated to resolve one of the most significant losses in aviation history, Russia's confiscation of several hundred aircraft due to European Union sanctions. This has been ongoing since the Ukraine crisis began nearly three years ago, with initial damage estimates exceeding \$10B. These projections are expected to decrease as negotiations are underway, transferring ownership of the confiscated aircraft to Russian operators. In addition, many have been encouraged to obtain a resolution by negotiating a settlement through the U.K. court system. This influenced market conditions as insurers prepared for the worst, but recent developments are reducing the original projection.

The start of the new year brings the first round of reinsurance negotiations for aviation insurers. Results will be monitored closely to provide an insight into how the marketplace will evolve throughout the year. Typically, operating costs and reinsurance rates increase when inflation increases, and the market is expected to harden. However, the current market conditions anticipated for the upcoming year are increased capacity and underwriting interest, with signs of a stabilized 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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