



Aviation

Q2 2025 | MARKET TRENDS

In recent years, the aviation insurance marketplace has endured challenges resulting in changes to capacity and pricing. While current capacity is strong, changing market dynamics suggest obstacles as the year progresses. Reinsurance secured in late 2024 allowed negotiation of terms before the focus shifted to recent large claims and overall sector upheaval in the first quarter. Renewals in the second quarter of 2025 will provide more insight into how the market reacts. Results will be monitored closely, providing insight into how the market will respond for the balance of the year.

As of mid-March, 19 aviation accidents occurred in the United States, resulting in 106 lives lost. In January, a CRJ700 operated by American Airlines collided mid-air with a U.S. Army UH-60 Black Hawk helicopter over the Potomac River near Washington D.C., marking the first deadly U.S. airline crash since 2009.

Rising Cost of Claims

Insurance claim costs across this sector are becoming some of the highest-valued and highest-profile losses. Aircraft repair costs are soaring, with limited availability of aircraft parts, an increase in replacement part costs and a labor shortage of qualified mechanics. Another factor contributing to the rising cost of claims is due to changes in aircraft complexity, making repairs more technically difficult. These factors, combined with more sophisticated aircraft systems and high-value engines, are expected to increase aircraft valuations. Thus, premiums for physical damage or “hull” insurance will rise in tandem.

The industry is watching the rise in nuclear verdicts, jury verdicts exceeding \$10M in punitive and compensatory awards, and legal expenses significantly increasing to defend or settle a lawsuit. Historically, settlements that may have cost \$1M are now pushing into eight-digit figures. It’s become commonplace for plaintiffs’ attorneys to target the entire insurance policy limit, and lawsuits involving psychological harm or Mental Anguish (vs. Bodily Injury) are also increasing.

Artificial Intelligence

The aviation industry is witnessing significant technological changes as AI is now widely integrated into various aspects of the airline industry. They are well positioned to lead the charge on this new horizon with benefits ranging from crew management, in-flight food sales, fuel efficiency automation, flight experience enhancements with a real-time turbulence database to help pilots navigate smoother skies, real-time aircraft safety and inspection with autonomous drone and baggage delivery, to name a few.

Historical trends show a positive impact of emerging technologies, with new jobs created to replace those made obsolete by the new technology. Adopting this approach has a lower risk exposure from a financial perspective, with AI algorithms analyzing data to predict demand, adjust ticket prices accordingly, and boost overall industry revenue. Through research and development and engagement with the academic sectors, innovation is poised to accelerate in the near future. AI has revolutionized aviation and integrating it has become a necessary step in the industry’s evolution. 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.



Challenges and Opportunities Outlook

Carriers are expected to continue negotiating with those with a favorable loss history and implementing strong risk management practices unless another major aviation loss occurs. The aviation insurance marketplace has been profitable in recent years based on the industry’s overall safety record. However, additional loss activity could impact this profitability and/or if reinsurance premiums increase for aviation carriers during their annual reinsurance treaty renewal. The market is unlikely to harden in the first half of 2025, with abundant capacity and early reinsurance negotiations underway.



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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