

Trending in the Aviation Market – Q2 2025

Accidents involving U.S. airlines have garnered significant attention this quarter, especially considering there haven't been any such incidents on North American soil in over 15 years. The next question is: when, or how, will the aviation insurance market begin to feel the impact? For now, there's no indication of any immediate change. The market has remained stable, thanks in part to the addition of new companies over the past 12 months, increasing capacity. However, later this year, lessors of roughly 400 aircraft leased to Russian operations are expected to head to court to resolve insurance claims on these planes, which could amount to \$8-12 billion in total. (note...over \$2.5B settled to date)

Projected Rate Changes

Piston General Aviation *stabilized*

Turbine General Aviation *stabilized*

Commercial (including charter) *stabilized*

Commercial Helicopter +5 - 10%

Aviation Losses

Major losses - Last 12 months

Eppley Airfield – Omaha, NE
tornado...four hangars and 32 aircraft
damaged or destroyed – Apr '24

Pilatus PC-12 – WY (7 fatal) Jul '24

Citation 750 – NY – Aug '24

Citation 680 – NC – Aug '24

Citation 550 – TX (2 fatal) – Aug '24

Robinson R44 – TX 4 fatal – Oct '24

Hondajet HA420 – AZ (5 fatal) – Nov '24

CRJ700 (AA) & UH-60 mid-air –
Wash., D.C. (67 fatal) Jan '25

Lear 55 Med – Phil., PA (6 fatal) Jan '25

CJ1+ - Brazil (1 fatal) - Jan '25

Cessna 208B – AK (10 fatal) – Feb '25

CRJ900 (Delta) – Toronto – Feb '25

Cessna 207 – AK – (2 fatal) Apr '25

Bell 206L-4 – NY (6 fatal) Apr '25

MX Aircraft MXS (Rob Holland) – VA
(1 fatal) – Apr '25

Hondajet HA420 – runway excursion –
OR – Apr '25

Hondajet HA420 – runway excursion –
FL – Apr '25

Hondajet HA420 – runway excursion –
Japan – Apr '25

Trends driving up claims costs

- Rising aircraft repair and replacement costs – parts and labor inflation, OEM pricing pressure
- Increased claims frequency and severity – Runway excursions, hangar damage, bird strikes and pilot error continue to result in frequent claims.
- Legal environment & social inflation – jury awards are rising. What once were nuclear are now thermo-nuclear verdicts. Plaintiff's attorneys increasingly target multiple parties even when fault isn't clear
- Catastrophic losses – Recent losses contribute to aggregate losses
- War & Political risk – geopolitical instability has given underwriters cause for pause. Cyber attacks have also been factored into pricing and policy terms

U.S. Tariffs on Canada & Mexico

Potential impact to aviation

- Increased cost for aircraft components
- Disruptions to aircraft manufacturing and maintenance
- Consumer costs and demand
- Potential retaliation or trade disputes

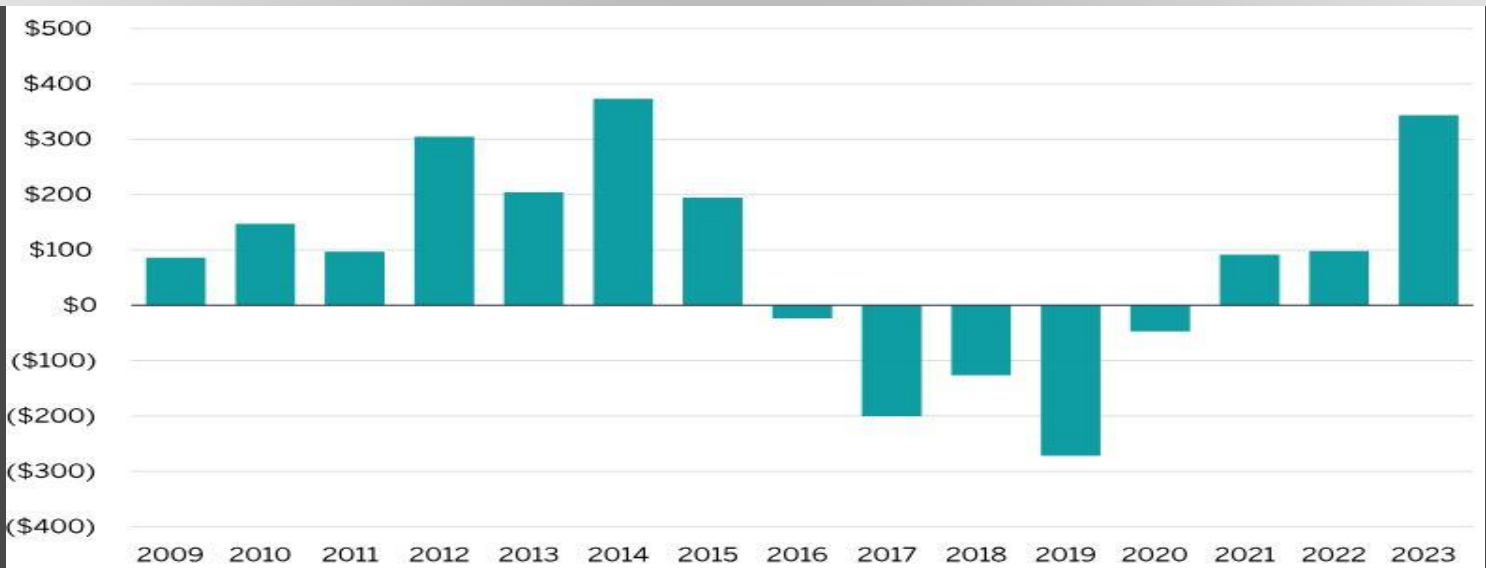
The impact of U.S. tariffs on Mexico and Canada would likely be gradual, with increased costs for aviation and potential disruptions to the manufacturing and supply chains in the aviation sector. The specific impact will depend on the extent and nature of the tariffs, as well as how quickly the industry can adjust.

2023 Milliman Report* on the U.S. general aviation market

- \$2.9B in written premium...a 7% over '22...an 84% cumulative surge since '18.
- The increase in gross written premium is decreasing (7% in '23, 11% in '22 and ~15% in each '19, '20 and '21)...5% expected in '24.
- US General Aviation market represents less than .5% of the overall property & casualty market
- Underwriting results - \$343M profit in '23 and ~\$100M in '22 roughly 11% and 4% respectively (see chart below)
- 2% underwriting profit from '08 through '21
- Claim inflation – value of claims have more than doubled from 2014 to 2023 - \$700M to \$1.4B
 - 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.)
 - Weather-related losses on the rise
 - Escalating cost of repair due to composite materials, proprietary bonding techniques, need for specialized equipment, decreasing number of qualified repair facilities.

*Ref. 2023 U.S General Aviation Admitted Market report issued 19 September 2024 (www.milliman.com)

Market Profitability (Millions)



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