

# AVIATION



Product Line	Year-End 2021 (YOY)	Mid-Year 2022 (YOY)
Aviation	Up 15% to 25%	Up 10% to 20%

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## Mid-Year 2022 Update

The aviation insurance market in the U.S. has been relatively stable in the first half of 2022 after a prolonged hard market that began four years ago. This has brought some predictability to many aviation insurance buyers who have experienced significant rate increases and additional underwriting scrutiny since 2018. During the first half of 2022, the severe rate increases experienced between 2018 and 2021 have been moderate for accounts with good loss experience.

The moderating rate curve is expected to continue throughout 2022 for many segments of the aviation industry. Even though the rate environment appears to be stabilizing, underwriting standards remain high across the industry, and underwriters continue to seek rate increases on most renewal accounts.

A new carrier entered the aviation insurance market in the first quarter of 2022, bringing new capacity into the marketplace and a more competitive environment among underwriting companies. We have also seen existing carriers looking to expand their

offerings and appetite. The combination of a new market entrant and the potential expansion by existing markets has helped alleviate the capacity shortcomings experienced since 2018.

Insurance buyers should keep in mind that aviation insurers and reinsurers are seeking consistent profitable returns from their aviation portfolios. There is a strong shared desire across the industry to establish a profitable floor in an environment of rising claims costs, increasing liability awards, and high inflation.

## Market Conditions

Our [January Market Outlook](#) was on track in reporting how market conditions would impact these aviation segments: owner-flown aircraft, charter operations, rotor wing aircraft, manufacturers' product liability, and airport and municipality coverage. An additional update follows:

- Owner-flown aircraft: premium increases are in the double digits, between 10% to 20%.

## Turbulence Ahead – Second Half of 2022

While the domestic U.S. aviation insurance market has been stabilizing and capacity appears to be returning, there are storm clouds forming in the greater global aviation insurance and reinsurance market. The Russian confiscation of more than 500 foreign-owned and leased airliners has led to billions of dollars of claims being submitted from aircraft leasing companies to aviation insurers. The potential claims exposure is

estimated to be in the range of \$9 billion to \$15 billion dollars. It is unclear at this stage whether aviation insurers will have to pay all these claims or how long it may take for some to be paid. If these claims are ultimately paid by the aviation insurance industry, it would be the highest loss event in the history of aviation insurance, eclipsing the losses paid following the 9/11 tragedy. Potentially, these claims could have a staggering impact on the aviation insurance and reinsurance market around the world. U.S. aviation insurance buyers should be aware of the negative impact these claims may bring and prepare for the third and fourth quarters of 2022.

## How USI Can Help

USI guides aviation clients toward developing a comprehensive risk management strategy, one that is tailored to their unique exposures and focused on mitigating their cost of risk. The steps in our process can be reviewed [here](#).

For additional information, contact your USI representative or email us at [pcinquiries@usi.com](mailto:pcinquiries@usi.com).

