



Rotor-Wing Insurance Rates Going Up?

It's fair to say "yes". The answer is no doubt variable based on the loss record of a particular operator and the uses contemplated for the aircraft, but a movement is clearly afoot by underwriters to start pushing rates upward across the board.

While some studies have indicated helicopter loss failure rates have been fairly consistent over the past five years in broad use segments, the severity factor took a significant turn for the worse during 2008 - notably in the air medical helicopter segment. For example, while 2006 saw thirteen air medical helicopter accidents resulting in ten fatalities, the period from December 2007 - October 2008 saw twelve accidents that killed thirty-five. One accident that occurred in February of 2008 was just settled by the family members of a paramedic and flight nurse for \$14,000,000.

In conjunction with an expanding, robust and ultra-competitive aviation insurance market that has seen capacity chasing price, some estimates point to rates today at roughly .55 - .60 cents on the dollar compared to five years ago.

Combine increased severity with historically low rates and underwriters are estimating loss ratios well over 100%. Furthermore, as severity festers, reinsurer results also suffer, which can lead to amendments in reinsurance contracts as they renew. Common reinsurance contract renewal dates are calendar year-end and mid-year.

One other interesting historical element of the aviation insurance market has been the tendency of the airline underwriting posture to affect the general aviation market about six months later. Following two years of unprofitable airline insurance underwriting, rates in this sector have already moved up 20-30%. While an abundance of market underwriting supply tends to suppress price, this logic only goes so far as the red-ink continues to mount.