



Q4 2024 MARKET TRENDS

Aviation

Positive trends are expected to continue throughout the fourth quarter of 2024, with the abundance of capacity within the worldwide aviation insurance marketplace being a key driver. Underwriting interest remains high in areas where artificial intelligence (AI), robust safety standards and sustainable aviation fuels (SAF) developments are highlighted.

Decarbonization efforts remain at the forefront of the aviation sector. This increase in capacity has also increased underwriting interest, creating a competitive environment. Organizations must continue to highlight their operating differentiators and detail their safety programs.

Stability in premium increases is reassuring as commercial aviation enters the fourth quarter with positive growth. In line with the global economy, the North American and Asia-Pacific regions are reporting record profits and an all-time high volume of international air passengers, contrasting with the more challenging sectors of Europe and Latin America. The industry is largely rebounding to pre-pandemic levels, with many aviation insurers presenting renewal terms at single-digit increases or “as expiring” for customers with relatively flat exposures and considered a preferred risk. A preferred risk has a favorable loss history, operates newer aircraft and employs pilots who complete aircraft-specific annual training. The market has witnessed significant adjustments in coverage offerings for those with large fleets, airlines and loss-sensitive risks, indicating a stable and growing industry.

Market Impacts

While the aviation sector has seen positive trends, many challenges remain. These challenges include soaring aircraft repair costs and the shortage of qualified aviation mechanics. 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, along with increased activity and influence in the multinational and international placements.

Artificial Intelligence

AI continues to change the landscape of aviation through improved maintenance procedures, enhancing flight safety and supporting route management protocols. Optimizing flight paths is crucial in increasing fuel performance, with fuel efficiency at the forefront of the industry. With the ability to monitor weather patterns and real-time air traffic, the use of AI towards airline emission goals and increasing overall performance will continue to be a heavy investment in this sector as they try to reach net zero emissions by 2050.

However, this emerging technology comes with its own unique risks. Data privacy and safety standards will be a top concern as increased cyber threats weigh heavily among aviation industry leaders. AI could also impact careers within the industry as it continues to be utilized and developed. Additionally, AI could help drive continued innovation and expansion as we look to space as the new frontier. Continued optimism remains as we enter the final quarter of 2024.



Challenges and Opportunities

The worldwide aviation insurance marketplace has experienced a slight profit of approximately 4%. However, this profitability could be impacted by any significant aviation loss occurring within the final months of the year. The final quarter of 2024 could also signify one of the largest losses in aviation history concerning the Russian confiscation of several hundred aircraft due to European Union sanctions. This has been reemphasized by the recent conflicts in Sudan, resulting in the destruction of several aircraft at the Khartoum airport. The continued tensions in the Middle East are playing a significant role in the grappling rise of oil prices, impacting the profitability of commercial operators. The labor shortage continues to influence underwriter training requirements, increasing demand for simulator training resources that are limited to instructor availability. These challenges, while significant, are not insurmountable, and the industry is well-prepared to navigate them.



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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