

Who's Who?

By Jeff Rhodes

The aviation insurance marketplace is a world of acronyms and similar-sounding names. For the uninitiated, it can be quite confusing. I often talk to aviation insurance buyers who don't know exactly whom they have talked to, or what their role in the process actually is. The confusion can lead to worry that they are leaving some stones unturned in their search for the right aviation insurance product or solutions to their insurance problems. This primer will hopefully clear up some of the confusion and help both inexperienced insurance buyers as well as veterans better understand the process and the players.

The Prospective Insured

When a person or corporation buys an airplane, they become known in the insurance world as an "insured" or a "prospective insured." They are the entity that is seeking to buy insurance and to which protection will be extended.

The Broker / Agent

The prospective insured will contact a broker / agent and ask that agent to place the coverage. The agent will ask some important questions. What are the names and occupations of the aircraft owners? Where will the aircraft be located? What will it be used for? Who will pilot it? What is the pilot's experience and training? What is the aircraft value? What level of liability protection is the owner seeking? Has this aircraft owner or any of the pilots ever had accidents or been charged with any crimes? As the agent talks with the insured about these issues, the agent is forming a marketing plan. He is gathering information that underwriters will need to know and deciding which underwriting companies might be most willing to provide quotes on this type of risk.

The agent's responsibilities are unique. The agent is hired by the insured. It is the agent's job to offer consultation services to the insured about all matters pertaining to aviation insurance and how best to obtain the protection that the insured desires. The agent represents the insured to the underwriting companies with the goal of obtaining favorable quotes for the insured. Each agent or agency has its own strategies for presenting risks to the insurers. Talk with your agent about his or her strategy for marketing new accounts and renewals and make sure that everyone is clear on your expectations.

While the agent is hired by and serves at the direction of the insured, the agent is compensated by being allowed to keep a percentage of the premium at a rate determined by the underwriting company. It is a common misconception that the agent or broker "marks up" the insurance premium, thereby creating a margin for himself. Not true. In fact, in most cases this is not allowed by law. The agent's commission is dictated by the underwriting company writing the coverage. The agent normally has no control over the fee he is paid for services.

The Underwriting Company

Often referred to as the “Underwriter” or the “Company,” the underwriting company is the agent’s source for a quote on an insured’s risk. When an underwriting company agrees to take on a risk in exchange for a premium, it is said to “underwrite” (or simply, “write”) the risk. While there are many aviation insurance brokers / agents, there are only a few aviation underwriting companies – 14 as of this publication. Each underwriting company specializes in certain types of risk. We call this their underwriting “appetite.” Some companies write only low limit /low value small aircraft. Some specialize in high value / high limit turbine aircraft. Some will write helicopters, some will not. Some will write single aircraft flight instruction and rental accounts; others prefer only multiple aircraft fleets with this use. The agent should know which underwriting companies quote what types of risks and should market the insured’s new risk with each of the appropriate companies.

The underwriting companies employ a staff of individuals called “underwriters.” An underwriter’s job is to determine whether a certain risk meets their company’s underwriting appetite, and if it does, to determine the appropriate premium level for the risk. Aviation underwriting is subject to a bit of personal scrutiny in selecting risks. Due to the fairly accurate statistical predictions of the Law of Large Numbers, automobile and homeowners insurance can, for example, be selected and priced based largely on actuarial tables. Because aviation risks are so relatively few in number, the underwriting process is largely market driven. The underwriter must constantly ask, “Based on my best observation of prevailing market premiums, do I want to take on this type of risk?” As the various companies answer this question on a weekly or even a daily basis, we see companies come and go as viable competitive markets on different types of aviation risks.

Member Companies and Reinsurers

In most cases, the Underwriting Companies are the aviation underwriting arms for large insurance companies or groups of insurance companies that take on all kinds of property and/or casualty risks. These are frequently called “member companies.” Member companies sometimes have ownership interests in the underwriting companies writing aviation business for them, or they may simply hire an underwriting company to provide this service. The underwriting companies are paid a fee or are allowed to retain a percentage of their premium revenue in exchange for the underwriting service and often claims service that they provide on behalf of the large insurers.

Underwriting Companies also buy reinsurance from an even broader pool of reinsurers for claims that exceed their member companies’ desired level of retention.

So Who’s Who?

The following is a list of underwriting companies currently writing aviation insurance for U.S.-based aviation risks. These are the underwriting companies and, in red, the larger property and casualty companies for which they manage risks. Remember – YOUR agent will contact these companies on your behalf.

Any quote for a U.S.-based aviation risk will come from one (or sometimes a combination of more than one) of these companies. You can expect to see the names of the underwriting company and/or the names of the member company or backing company on page one of the Declarations of your policy. Your agent's name and information will be on the declarations page as well.

What Should You Expect?

That is ultimately up to you. All risks are different. Some aviation operations fit into the mainstream and will invite quotes from many of the underwriting companies listed below. Some may only be quotable from one or two companies. I have seen just a few risks that (at the time) could not be placed anywhere, but that, thankfully, is rare. For a typical new policy placement, a new insured should expect to see his agent bring three or four viable quotes. Talk with your agent to determine which quote is the best for your situation.

At the first renewal, you may decide to have your agent aggressively market the account to all of these underwriting companies again. This is a good idea if something has changed, either with your risk, the coverage desired, or the underwriting appetites of the insurers. Otherwise, it may be better to focus on working an acceptable renewal from your existing insurer. I often recommend that an insured not market to every company every year because underwriters tend to be less enthusiastic about quoting risks that they see every year, but for which they never get a bind order. And yes, they keep good records and they remember you from year to year.

Talk with your agent about the proper marketing strategy for your insurance policies. Ask if there are any ancillary insurance products (such as higher liability limits, excess liability coverage, war risks coverage, workmen's compensation insurance, business auto coverage, or employment practices liability coverage, etc.) that they might recommend. Know which markets your agent is using and ask your agent to present all the quotes to you in writing. As an informed aviation insurance buyer, you will be confident you are receiving the best insurance coverage for your premium dollar and coverage that is a good fit for your particular risk. →