

## *Uncompromised Training*

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Insurance market cycles are real and market pressures have a major influence on premium and underwriting criteria. These cycles can be caused by numerous influences outside your control and in recent years the aviation insurance industry has seen the best loss years in the history of general aviation. Lower loss experience translates into increased underwriting profits.

Investors (new reinsurers) see these profits building and want their piece of the action and as a result new underwriting companies enter the market. With more new markets the capacity for risk increases. New underwriting companies need to quickly capture an increased share of the market and one way is to buy it by cutting premium prices. This “buy the business” mentality forces the existing underwriting companies to reduce rates in order to retain market share.

Another method used by underwriters to help capture larger market share is to offer expansion endorsements to broaden the coverage offered without an increase in premium. If you buy from insurance company A you get the Cadillac or Lexus policy versus company B, you get the Chevy or Ford policy for similar premium. Which would you choose?

Finally, another approach used by some underwriters is to relax the pilot’s recurrent training requirements. Initially they may require manufactures approved ground and flight training which includes the use of an FAA approved simulator for the make and model. The next step down this slippery slope to make their policy more attractive is to approve more training facilities or individuals to conduct this training and eliminate the need for the use of a simulator. The previous requirement for manufactures approved ground and flight training becomes reduced to an Instrument Proficiency Check and Flight Review with a Flight Instructor in this same make and model aircraft. They may even reduce the training frequency to a 24 month period rather than the annual requirement. This relaxed training requirement saves the buyer money and time. This method of marketing the policy allows the underwriter to keep the premium from continuing to go down and at the same time maintain their market share.

As more training programs are approved there becomes more competition for the schools and individuals offering the training. In their effort to be more competitive and retain clients they shorten the course training hours and include less flight training. As a result, less is required of the pilot and their quality and quantity of training suffers.

Recurrent training costs can have a large effect on which insurance policy an owner or operator selects. So what is the down fall to lower premium, and less time and quality training required? For the high performance complex aircraft of today, it is a proven fact that less training equates to more losses. Over time, as losses increase underwriters either respond with higher premium or, as most do, over react and stop offering coverage for that make and model aircraft. So what does lack of available insurance coverage and high premium do for sales of this class of aircraft? They stop. Nobody wants to purchase an aircraft that is difficult to insure, has high insurance premiums and high losses. As a result all the current owners experience lower value aircraft that are now hard to sell. It is a vicious cycle that hits hardest on the high performance complex aircraft.

What can you do as an owner? Continue to do recurrent training with a reputable training facility that does not compromise on quality training and encourage other owners to do the same. Report training facilities that take short cuts or fail to truly provide the training needed that will benefit the owners. Enough complaints to insurance providers will help get them out of the system. If there is an “Owners Association” or similar type of organization for your aircraft, check them out. Some are built for social reasons, but many are focused on safety. They conduct gatherings with group training sessions that can emphasize operating tips and techniques, maintenance issues and training. Take a proactive role in the support of your aircrafts destiny and Fly Safe. →