



“Post card” insurance agents – how come their quote is so low?

Most aircraft owners have received letters or post cards with their aircraft identified and below it, an aviation insurance quote. Not just a quote; an unbelievably low quote.

But wait, you must first send the postage paid card or call them directly for “your individual quote” before coverage can be bound. But they already quoted a premium and you are buying, why would you have to provide all this extra information for an “individual quote”? **Simple, is not a quote at all.**

The aircraft insurance agencies or “post card” agents that send this type of inaccurate and unsolicited letter are well known in our industry for providing aircraft owners with a non-binding **estimated** premium otherwise known as a guess. The letters usually go out quarterly in large batches based upon FAA record updates, purchased database information and other more questionably accurate sources.

Most often the **estimate** is average to high when compared to the aircraft owner’s actual premium or it is provided on old records and incorrect aircraft. Occasionally though the **estimated** premium is low; **really low**. Presumably that is the desired outcome and after all even a blind squirrel finds a nut once in a while.

When the “post card” agent does manage to successfully **estimate** on the low side, some inexperienced or new aircraft owners invariably feel that they have not been represented properly by their current agent and unknowingly terminate their own agent in the process obtaining an “individual quote” from the “post card” agent. Fortunately aircraft owners that have a history of aircraft ownership and operation and/or maintain a good relationship with their agent have grown used to these letters and realize the game that is being played. But because the letters are sent based upon FAA database updates including new aircraft registrations, it’s usually the new owner that is impacted the greatest by this type of questionable hit and miss brand of marketing.

The term **estimate** has specific meaning in our industry and must be understood for what it really is. Considering that the limits outlined in the letters are nearly never the correct limits carried on the aircraft, are not based upon pilot or underwriting information and the agent has no knowledge of the aircraft or account, the letter must state that the premium is an **estimate**. An **estimate** is not a binding quote.

An **estimate** is exactly that; a non-binding guess at what might be available in the market based upon some presumed experience. What the letter does not say is that the **estimate** provided is only a guess and that it is not binding. The letter also does not say that the **estimate** was not provided by an underwriter nor was it based upon any accurate or reliable underwriting information. The letter is also usually accompanied by a post card that requires that the aircraft owner complete and return or that the owner call for “*your individual quote*”. Unknown to the aircraft owner, the post card may actually be a “Broker of Record Authorization” letter disguised as a Quote Request that effectively terminates the insured’s relationship with their current agent without the owner’s knowledge or intent.

Also unknown to the aircraft owner is that the **estimate** shown in the letter was not provided by an underwriter and is therefore **NOT** binding and in reality the estimated premium does not even exist. It would be impossible for the agent provide binding terms when the premiums were not based upon underwriting information and provided by an underwriter. This type of activity is known as “Broker Quoting” and is generally considered to be unethical in our industry because the quote is **NOT** binding and most often even requires that the consumer terminate their current agent or broker prior to receiving a binding quote. By then it’s too late to avoid the impending negative result.

The biggest give-away that the premium provided is not binding will be that the agent must first obtain pilot information, actual limits carried on the aircraft and other necessary underwriting information not available in the FAA or other database sources before he or she can actually quote the real premium and bind coverage on the aircraft owner's behalf.

The reason that the agent requires a "Broker of Record Authorization" is based upon the reality that the aviation insurance industry is very small with limited capacity. The result of that limited capacity and limited market availability is that the agent sending the letter must also use the very same markets or carriers that all other aviation insurance brokers' use. Because all aviation insurance brokers work with the same carriers and because your current agent or broker has also contacted each underwriter on your behalf at each policy renewal, the new agent is not able to access those carriers without the owner's written authorization and termination of the previous broker's authority. In other words the new "post card" agent is not providing the consumer with any new options at all but only replacing the existing agent with the same program in place. If the owner calls for their "*individual quote*" rather than mail the postage paid card, they are asked to complete a "Broker of Record" authorization conveniently and prominently found on the home page of their website.

The aircraft owner should ask themselves two basic questions:

If the agent has already provided a quote, why would they need the underwriting information before binding?

If your current agent has not represented all options, why would the "post card" agent need to terminate that relationship in order to provide terms?

I will share a client's experience with this agent. The client purchased a TBM-700 and found the low indication provided by the "post card" agent too good to pass up. After unknowingly terminating his own broker at the time and moving the policy to the "post card" agent, the client's information was presented to underwriters by the new agent. The resulting premium and renewal quote represented an increased premium of 25% over his actual expiring premium and 37% over the number that was provided in the letter that first prompted the client to make the change. Afterward it took two years for the client to get his information corrected and premiums back down to the level prior to responding to the letter. The reason for this negative outcome was the lack of knowledge and background of the account by the new agent which resulted in a miscommunication of the exposure to underwriters.

It is very important to keep in mind that aviation is a very small industry and aviation insurance is even smaller. A seemingly simple decision like responding to a letter for an insurance quotation can have significant long term negative impact. Prior to making that decision, one should seriously and carefully consider the ramifications in doing so. Discussing these types of unsolicited offers with your agent or underwriter will help clarify what the best course of action may be for your particular situation.



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