



The Aviation Insurance Specialist

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While many large and small companies alike have teams of risk managers or insurance professionals working on their behalf to arrange, structure, and purchase insurance coverage that best protects the company, its principals, and its officers and directors, it is very common to see the aviation insurance handled by an aviation specialist separately from the remainder of the company program. This is true even with many Fortune 500 and public corporations.

Many companies that start with the aviation assets combined with the whole of their insurance program often make a change at some point in the future after experiencing a problem or issue that was overlooked or unknown to the non-aviation insurance professional that structured the program. It is then that they realize the value benefits associated with using an aviation specialist for their aviation placements.

The Specialty Aviation Insurance Market

Aviation risks and exposures have long presented special challenges to the insurance industry resulting in the need for specialty aviation insurance underwriters and markets. In fact the aviation insurance industry is so specialized, and the required capacity so large, that most insurance carriers doing business in aviation actually form or join teams of very specialized aviation underwriters to specifically underwrite aviation risk or exposures on their behalf. These underwriting specialists exist solely due to the unique nature of aviation and because the required capacity to participate in the aviation market precludes most non-aviation or general property and casualty underwriters from writing aviation risks directly. In turn, the specialized nature of aviation insurance underwriting gave rise to specialized aviation insurance brokerages.

Because some specialty aviation underwriters prefer to work with insurance brokers who also have specialized knowledge of aviation, common interest, and a tendency to understand the same language, very competitive pricing and coverage can be obtained by clients who work through brokers that specialize in aviation insurance. While many general property and casualty brokers attempt to write aviation insurance, the preference of aviation underwriters to work with specialty aviation brokers tends to make those non-aviation brokers less competitive in the market if for no other reason than the specialist is able to more accurately present the exposure to the underwriter.

Another benefit of adding an aviation insurance specialist to the company's risk management team is realized through the streamlined and stronger communication between the company's flight department management and personnel and their insurance representative. Because the aviation insurance specialist and flight department management and personnel understand the intricacies of flight operations and speak the same language, whether it be a last minute certificate of insurance, pilot approval, or international proof of coverage, together they are able to define the needs of the flight department and communicate those needs directly to the underwriter. This open line of communication nearly always results in a smoother run corporate flight department and stronger, more flexible, and competitive insurance coverage.

The Aviation Insurance Agency

Many of the current aviation specialty agencies originated when some large direct writing companies merged with non-direct writers resulting in the closure of regional production offices or agencies. The agents employed at those offices were subsequently released from employment and many started business the next day as independent aviation insurance agencies. Other of those displaced agents that did not go into business for themselves went to work for those that did and the true independent aviation insurance agency was born. Since nearly all of these agencies began business at the same time and the agents close in age to one another, a business anomaly occurred which is now approaching the end of its cycle. With so many aviation insurance agencies reaching the end of their business cycle, most are expected to be sold or merged with larger non-aviation or specialty aviation agencies over the next several years.

Has Your Account Been Sold?

Since the sale of an insurance agency, agency mergers, or the sale of a book of business typically require that the selling principal remain on board for 3 to 5 to assist in the transition, several specialty agency principals are actively seeking to sell their business in order to exit the industry in a reasonable amount of time and at a reasonable age. Evidence of this trend can be seen in the several high profile aviation agency sales or mergers to non-aviation general property and casualty agencies that have occurred over the past several years. Those agency sales have or may result in the involuntary transfer of hundreds of aviation clients and millions of aviation premium dollars to non-aviation general property and casualty agencies.

When these sales or mergers occur, many clients only become aware that their account has been transferred or sold to a new agency after the change has taken place. Most times the transfer occurs without the client's knowledge or consent and they suddenly find themselves working with a whole different organization. While this type of transfer is not necessarily a negative in itself; because insurance represents such a large line item and has such a significant impact upon daily operations to most aviation operators, the client should certainly have the opportunity to decide what is in the best interest of their own operation prior to having that decision made for them.

The above is of particular concern when the aviation specialist they hired to handle their aviation insurance is acquired by a non-aviation general insurance agency.

The Value of an Aviation Specialist Broker

To illustrate the value of an aviation specialist following is outline an actual account placement by Transport Risk Management, Inc. We recently placed coverage for a non-aviation business client's multiple turbine aircraft corporate flight department. The aviation coverage had previously been placed by the client's non-aviation insurance broker along with their non-aviation business exposures where it remained for several years. Having some concern over coverage and pricing, the client sought advisement and a coverage review of their aviation insurance program through Transport Risk. After completing our analysis we estimated that the placement was overpriced by approximately 30% with additional coverage available but not previously provided.

As a result of this review, the client made the decision to immediately place their aviation program with our firm after which, their actual renewal terms through Transport Risk resulted in a 40% reduction in total annual premium combined with a significant expansion in coverage through the same underwriter that was previously covering the client. While 40% is significant it does not illustrate the true dollar savings actually realized by the client. In this particular case the savings in real dollars to the client exceeded \$60,000 annually with absolutely no change in the policy limits or insured hull values under the policy. With several changes including coverage expansions and recommended limit increases, the final renewal premium represented a 33% reduction but with a much stronger program.

Working With a World Class Aviation Insurance Specialist

In the event that you find your account transferred, sold, or you are simply seeking alternatives to your current program, Transport Risk Management, Inc. is available to provide you with an in-depth and professional analysis of your insurance program and provide you with that alternative. We are certain that you will be very impressed at what can be accomplished when aviation risk management professionals of Transport Risk's caliber are made part of your team.

Transport Risk's company policy of providing the client with complete disclosure and program transparency assures our clients that they will be presented every option available in the market without the addition of hidden fees and we will also assist in identifying those hidden fees in your current program. We have also outlined some of those hidden costs for you in our "The Hidden Costs of Insurance" supplement which can also be found on the "Articles" page of our website: www.transportrisk.com

