

# Knowledge Is Power...

Changes in the Insurance market can put money in your pocket  
by Richard Keltner.

Let's start with a short quiz. Who first penned these famous words: "Knowledge is power."

Was it:

- A. Alexander Hamilton
- B. Benjamin Franklin
- C. George W. Bush
- D. Sir Francis Bacon

Look to the end of this article for the answer.

**T**here are tremors in the aviation insurance world. New underwriters are surfacing, brokerage houses are merging, influential people are shifting alliance, attorneys general are tracking down evildoers. Not necessarily good news for all insurance companies but almost certainly good news for you and your aircraft-buying client.

Let's take a look at some of the changes and figure out how to use the knowledge to put some spare dollars back in your pocket.

## KNOWLEDGE

There are some new players in the underwriting game. If you renewed your insurance in January of this year you probably had three underwriters to choose from. By the end of 2006 there may be twice that many who are willing to write your business. More insurance companies means more competition and more competition almost always means lower premiums.

### Look for these new participants:

Hank Greenberg, the former CEO of AIG resigned last year in the wake of the New York contingency commission scandals. In addition to managing AIG, he controlled *American International Aviation Agency (AIAA)*. When he departed from AIG he announced his intent to remain involved with American International Aviation. Many of the most senior AIG Aviation employees almost immediately joined AIAA. They didn't have to travel far. AIAA set up shop directly across the street from the AIG Aviation offices in Atlanta. Do they intend to compete head to

head with AIG? Place your bets.

Also in January XL, a participating insurance market for airlines, products, helicopters, and some GA accounts, saw its entire underwriting team depart to form a new underwriting company - *Berkley Aviation*. Berkley will (no surprise) seek the same market segment as does XL. XL responded by moving its aviation operations to NYC and it hired a senior USAIG executive to reconstruct.

*Allianz Global Risk* was scheduled to begin formal operations on July 1, 2006. Backed by very strong ownership. Allianz Global Risk will compete directly with USAIG, AIG, and Global Aerospace. USAIG Chairman Harold Clark and Executive Vice President Bill Welbourn left USAIG in late April to head the US aviation operations for Allianz.

Shortly thereafter, other senior USAIG execs (including the senior claims manager) also resigned and moved to Allianz. In the wake of these departures, USAIG appointed its current President to assume the role of Chairman.

*Phoenix Aviation* opened its third full service underwriting office, and is signaling its desire to become more involved in the upscale jet insurance market.

## POWER

Take advantage of the excitement that is bound to occur when all these companies start to compete for the same block of business.

- Ask your broker to explain the concept of domestic quota share placement especially if you have a commercial operation or a large flight department.
- If you are an operator of a single business jet make sure you get quotes from at least three of these six companies. Remember, honest competition will probably create lower net premiums.
- Use your broker as a resource. Once you get smart, make sure your current underwriter is aware of your market

knowledge. You may be surprised at how much they might sharpen their pencil if they think you know what you're talking about.

- Work with your broker to come up with a renewal strategy at least 90 days prior to your renewal date.
- Ask for broader coverage for the same price. Maybe increased coverage for baggage and cargo? This is the year to do it.

**One thing you should not do:** Don't switch insurance companies for the sake of just a few dollars. A 5% savings may not be worth the loss of long-term loyalty, or superior claims service, or a relationship that you have cultivated for years.

When you contemplate a change assume you will live with the new arrangement for at least five years. Does the decision still make sense? If it does make sense - what are you waiting for? The soft market?

## THE ANSWER TO THE ABOVE QUESTION?

Oh yes. I almost forgot. An English philosopher, Sir Francis Bacon wrote the words 'Knowledge is Power' in the 17th century. And for all my friends in the insurance industry who are worried about this crazy market, Sir Francis also came up with this gem, "They are ill discoverers that think there is no land, when they see nothing but sea."

...Deep, eh?



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