

SO YOU DON'T THINK YOU NEED AIRCRAFT PRODUCTS LIABILITY INSURANCE?

It never ceases to amaze. Shrewd businessmen take risk all the time in the process of making their businesses successful. The business risks taken are calculated from vast experience or are done on gut feel with precision one would expect from the use of proven predictive modeling techniques. These entrepreneurs use strong will and have strong stomachs to make their businesses grow.

Aircraft Products Liability Insurance is a very affordable insurance for most businesses and is an easy risk financing and risk transfer tool that can take this risk right out of your business.

Are there risks being assumed that are not shrewd? Are there risks taken that are not cost effective or that are not properly assessed?

One such risk that does not seem to be on the radar screen of a good number of small and middle sized business owners is properly protecting the companies and personal assets of tier 2 and tier 3 manufacturers to the aircraft industry. Why can this statement be made? There are several small and middle sized manufacturers that don't buy insurance from the major insurance carriers that specialize in aircraft products liability insurance. There are more companies who don't even look into aircraft products liability insurance because they believe they are fully protected or indemnified by the government or by the prime manufacturer or are protected by federal regulations. This risk taking, for a good number of small and medium-sized companies, is a risk that can cost them their business and livelihood.

Aircraft Products Liability Insurance is a very affordable insurance for most businesses and is an easy risk financing and risk transfer tool that can take this risk right out of your business. It is typically first dollar insurance so there are no deductibles to deal with and the product assumes a lot of the risk for your business. High limits of the insurance can be purchased for reasonable premiums compared to other insurance (depending on your exposure) and from the right buyer, you can obtain value-added loss control services such as contracts reviews, process and manufacturing controls, document controls, etc, all included in the policy premium. Insured companies can also receive consulting prior to a loss or at



the time of the loss (also included in the premium) to know what to do in the event your company becomes a named defendant in a suit or where you need to answer to the FAA or other investigative bureaus. Small business owners really need to look into one of these policies for peace of mind and for the extra services that come with the insurance policy.

Another major reason for second and third tier businesses to buy aircraft products liability insurance is to make sure you can qualify for it.

Why look into this insurance for your company? First, the protections afforded in the past are being eroded as the government and prime manufacturers are figuring out they can't shoulder the whole load of some of the programs they lead. Second, primes have had a number of losses that have been the result of poor product design and/or faulty workmanship from their suppliers where they have had to pay for the whole loss. They no longer want to do this and pay extra premiums for work that is somewhat out of their control as they are looking into mitigating their risks. In some instances, the primes have taken over the company that has caused them the loss that has ruined the financial well being of the owners that were looking to sell the business at some point in the future in order to retire. Third, the government is looking to the insurance community to pick up risks previously covered by federal indemnities mitigating the huge cost or potential cost to society. This is a trend worth watching for those who don't believe the government won't do it.

Another major reason for second and third tier businesses to buy aircraft products liability insurance is to make sure you can qualify for it. If you happen to have a major loss and you try to buy insurance, it may become difficult to find it which could cause problems landing future contracts or maintaining existing contracts. If you have insurance and have a loss, you will have much better chances of keeping it in force after the loss. The worst time to approach an insurance company is when you have an absolute "need" for insurance – they may not sell it to you or it will cost too much for it to make sense and this is very cost inefficient. Secondly, aircraft products liability insurance, when compared to other insurance, is a very affordable purchase because of the industry's excellent track record and its high amount of effort spent on safety to make sure bad events don't happen and that when they do occur, the downside is mitigated.

The Aircraft Builders Council (ABC for short) is a 55 year old insurance facility that provides full scale solutions for manufacturers that fit the niche profile for ABC insured's.



The most prominent benefits of the ABC program are highlighted below:

- A continuously available insurance market with capacity of up to USD 1 billion.
- One-stop shopping for these limits with a layered program that provides highly stable and financially secure backing.
- Broad aviation products and related risks coverage.
- Premium discounts in recognition of insured's continued participation in the program.
- Centralized claims management and defense by experienced aviation counsel.
- No cross claims among insured's that reduces defense costs.
- Product integrity programs, contract reviews and seminars at insured's facilities at no additional cost.
- A Board of Trustees who, with a sub-committee of American and London brokers, continuously review and monitor the effectiveness and financial stability of the entire program.
- An annual conference (the only one of its kind) which is an informational forum on recent developments in aviation, insurance and products liability that is free for risk managers or representatives from ABC insured's.

Companies never know where a claim can come from and, at a minimum, needs to be able to provide a strong defense to get your company extricated from a lawsuit. All tiered aircraft products manufacturers should consider a strong insurance and loss control program as part of the service offering to their customers. The ABC is a program design that fits that bill completely.

Aircraft Builders Council

For more information, please visit the ABC website at www.aircraftbuilders.com or contact Gretchen Huetteman via 952.928.4662 or ghuetteman@harringtoncompany.com

ABC 2011 Annual Conference

Details regarding the Annual Conference in Boston on Sept 18-20 are here:

http://www.aircraftbuilders.com/UserFiles/File/ABC_Prelim_Brochure_2011_COMPLETE.pdf

Speakers & Presenters include:

- Sikorsky's Fred Brisbois
- Airclaims' Bill Garcia
- Federal Aviation Administration's John Hickey
- Massachusetts Port Authority's Thomas Kinton, Jr.
- Bill Leff Airshows and Airborne Solutions Group's Bill Leff
- Texas Aero Engine Services' Randy Thomas
- Airbus' Fabrice Villaume
- ACE Global Markets' John Green & Simon Abbott
- Global Aerospace's Nick Brown & Martin Cox
- Fitzpatrick & Hunt's Garrett Fitzpatrick & James Hunt

