

Aviation insurance pioneer marks 90 years in business

by Curt Epstein

Aviation industry insurance provider USAIG is celebrating its 90th anniversary on July 1. The company was founded in 1928 by Reed Chambers and David Beebe, two former

World War I aviators who saw the requirement for an insurance company that fully understood the needs of aviation. That year, they established the United States Aircraft

Insurance Group, along with United States Aviation Underwriters (USAU) to manage it, which both remain intact nine decades later, generating the capacity to cover any size aviation or aerospace exposure.

Asked about the secrets to the company's longevity, CEO John Brogan, said it goes back to the very beginning of the company and the plans of its founders. "Since they could not find one insurance company that wanted to insure an aviation risk, they went out and found several companies

that would share in the risk," he told AIN. Those companies formed a pool known as USAIG, which is managed by USAU, and the structure remains the same, even if the specific insurers have changed. Today, that line-up of insurance companies includes Chubb, Liberty Mutual, General Re Insurance, and National Indemnity. "The pool set up is really the secret to the longevity, because...any one company can decide aviation is too risky for us, we don't want to insure it any more, or they could go out of business and go away, and the pool still exists," explained Brogan.

Industry Coverage

USAIG insures a wide swath of the aviation industry, from gliders to satellite-launching rockets. "Aviation was very young [when the company started in 1928], so if it's flown, we've likely insured it," said Brogan. In 1937, the group handled all claims involving U.S. citizens in the destruction of the German airship Hindenburg in Lakehurst, New Jersey; in 1952 it provided coverage for the prototype Boeing 707, which ushered in the modern commercial jet era; in 1969 it issued product liability coverage for Grumman's Lunar Excursion Module; and in 1977 it handled all claims resulting from the collision of two 747s in Tenerife, Canary Islands, the worst disaster in aviation history.

The following year, USAIG celebrated its 50th anniversary and for the first time expanded its coverage to the owners and operators of general aviation aircraft. The group's portfolio is largely U.S.-based, but it maintains a separate company, CAIG (launched in 1937), that handles the company's international coverage, which totals approximately 5 percent of its business.

In 1984, the company spearheaded a safe fueling program for the general aviation industry by reimbursing its customers for the costs of installing jet fuel lockout devices. In 2011 the company introduced its Performance Vector program, which subsidizes certain safety initiatives for our policy holders. In 2013, it introduced an enhanced version of the program, which refunds a significant portion of premiums to business aviation operators who avoid losses while meeting safety standards.

Brogan noted that after an initial spike in aviation insurance premium costs following the 9/11 terror attacks, more insurers—drawn by the high rates—entered the market, leading to as many as four times the number there were before 2001. That influx and competition sparked a steady decline in premiums, which has caused an imbalance of late, as premiums have not kept pace with aircraft prices. "Liability verdicts from juries are bigger; the cost to fix airplanes has gone up; labor, parts, all of that has been on the rise," said Brogan.

All the insurers in the pool carry diverse risk portfolios, and given the spate of recent disasters over the past year, from hurricanes, to earthquakes, to wildfires, Brogan expects that trend of declining aviation insurance rates to come to an end, as insurers digest the losses they have experienced. ■



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