THE AIRCRAFT BUILDERS COUNCIL
STILL UNIQUE AND A 57 YEAR OLD NOVELTY

July 2012
The Aircraft Builders Council (known as the ABC) was formed in 1955 when the need for aircraft products liability was just developing. This facility was formed by a group of manufacturers, brokers, insurers and a law firm to provide a valuable “one-stop shop” for industry leading coverage with a high limit of insurance. The ABC has been a consistent, reliable source of insurance for 57 years and many of the original companies are still participating in the program to this day providing unique continuity. This stability has allowed the ABC to provide a focused program of insurance, loss control and claims handling in one facility.

What is unique and novel about this program is that there have been no other line-slips formed (at least in aviation and space) that can mirror the benefits the ABC has continually provided its customers (insureds). These features are:

- $1 Billion of insurance capacity using only two lead underwriters
- 57 years of stable and growing capacity
- The recognized market leader in coverage
- A centralized claims management and defense coordination team for efficiency
- No cross liability claims among insureds (to reduce defense costs)
- Product integrity reviews included in your premium
- Product liability seminars at the insured’s facility(ies) included in the premium
- Contract reviews by highly experienced legal counsel as part of the insurance program
- Continuity discounts based on length of continuity in the ABC program
The true novelty of the ABC is that it brings the aviation industry together in a unique way to provide the broadest level of coverage and service to its insureds with no other program like it. It is unique because many large insurers (10+) can work collaboratively to provide a long term quality service and product. Also, is there anywhere else that you can see large brokerage houses work together with mid-sized brokers to enhance a product that they all can bring individually to their own clients through their own marketing efforts. This collaboration provides an alternative product for risk managers/insureds to compare to the standard market. This keeps the aviation market one of the most competitive markets worldwide – something that is very helpful to the risk management community and also the population at large. Without this competition, premiums would escalate to where airlines could no longer afford insurance any longer and space exploration might grind to a halt due to a lack of insurance availability.

The management and control of the ABC is provided by four groups made up of:

- A Board of Trustees (who are insured’s of the program)
- Two lead and strong market underwriters (ACE and Global Aerospace)
- Defense Counsel
- A broker committee made up of London and US based brokers.

The entire group meets twice annually to ensure the program accomplishes the following:

- Meets all regulatory issues in the London and US markets
- Remains the leader in coverage provided
- Meets the needs of the insureds in the program
- Keeps highly qualified insurers in the program
- Provides an industry leading conference bringing the total aviation marketplace together in one venue to educate on:
  - Legal trends
  - Market developments
  - New product offerings
  - Claims issues
  - How to handle an investigation after an incident
A truly unique offering of the ABC is the ability to have a free product liability and loss prevention seminar provided to your company with no limit on the number of attendees. This session can be provided to anyone in your company and usually includes people from the following areas:

- Finance
- Legal
- Risk management
- Contracts administration
- Engineering/Quality Control
- Marketing
- Product Support

The seminars cover many critical issues that involve all areas of your company including product development and design, how to control documentation used to explain the use of the product and marketing materials used to sell the product. The seminars also provide detailed information on the following critical components of product liability, litigation management and claims management:

- Creation and need for product integrity and safety programs
- Legal theories of liability your company needs to be aware of
- Legal developments that may impact your company
- The judicial system and how to use it to your advantage
- The litigation process and how to prepare for a trial
- Advice on warranty language and service bulletins
- Contract review and advice
- Responding to FAA and NTSB inquiries and investigations
- Performing on-site accident investigations
- Performing post accident product teardowns, inspections and testing
There is a movement underway today where the US government is trying to pass down space exploration liability to the private sector where Prime manufacturers and their suppliers may need to assume liabilities they have not had to in the past.

Some of the advantages to this type of facility for risk managers are:

- 100% high quality and continually monitored quota share insurance market security
- No one insurer has more than a 20% share spreading (and therefore reducing) your risk to insurance company failure
- Quick turnaround of quotes and endorsements for the entire limit
- Two lead underwriters commit on behalf of the entire slip
- Efficiency for risk managers for their renewals
- Two underwriter meetings versus 7-12 for standard placements of higher limits
- Centralized legal counsel coordinated by one adjuster to ensure cost effective defense and litigation of claims

There is a recent article in Risk Magazine (June 2012) published by RIMS entitled “A Universe Full of Risk” written by Dr. Sima Adhya. He talks of how the space exploration industry has moved from an industry born from a spirit of exploration where it was clear it was a “high-risk activity.” Liability was understood to be potentially very high that was unaffordable to private industry. Governments therefore took on this risk to allow for exploration to continue. In this article, he states where this situation could be on the brink of change.

There is a movement underway today where the US government is trying to pass down space exploration liability to the private sector where Prime manufacturers and their suppliers may need to assume liabilities they have not had to in the past. How long do you think it will be before primes in turn will pass down liability to their suppliers no matter what tier you participate at? How long do you think it will be before the government will be trying to pass down all liability for any activity presently covered under the Federal Acquisition Regulations (FAR’s)?

The impact for lower tier suppliers could be impossible to gage so the question is are lower tier suppliers ready for the future and to move into a new world where they will have to also assume liability? Historically, such manufacturers have had to take little or no risk for the performance of their products and they think they could rely completely on warranties or hold harmless agreements or governmental immunity. This is beginning to change and while it may not manifest right away, suppliers (and their insurance representatives) should take heed of this movement and be ready to respond. Worst case scenario is lower tier suppliers will be taking the chance of not being allowed to provide their products to the primes because they have not prepared properly to be qualified to buy insurance.
The ABC is a fiscally sound and well-managed facility that has adapted itself to all that the aviation industry has thrown at it for 57 years. The ABC is poised and ready to continue its long history of innovation and use its unique and novel approach to be ready, willing and able to answer the evolution occurring in the aviation industry.

The bigger question is: Why haven’t other insurers in other lines of business been developing a “mega-facility” for the excess casualty market or the products recall market? With a novel and unique offering for 57 years, the ABC has proven it can work very successfully.

For more information, please visit the ABC website at www.aircraftbuilders.com