

## Sponsor Statement for HB 270

# Assigned Risk Pool for Aviation Insurance

**“An act allowing the establishment of an assigned risk pool for aviation insurance.”**

Alaska’s aviation industry has been crippled by high insurance rates, doubling each of the past three years. Some air carriers can barely afford their insurance premiums, which could result in canceled services to Alaska’s remote population. The House Labor and Commerce Committee introduced House Bill 270 to control the escalating costs of aviation insurance.

The bill adds an alternative within state statute allowing aviators to join together in an insurance pool if the [State Division of Insurance](#) finds that mandatory carrier participation is in the public interest. Obviously, state intervention would likely occur if all available avenues for affordable aviation insurance had been exhausted. Currently, we do allow within statute risk pooling for medical malpractice and worker’s compensation, two high-risk and egregiously expensive insured industry groups.

By law we require all air carriers to maintain a limited aviation insurance policy. In many instances the problem is not the price but the availability created by a tough insurance market coupled by a poor loss ratio within Alaska. Six years ago Alaska had 36 different companies providing aviation insurance. Currently, there are only six companies offering aviation insurance and two of the six will not add additional policy- holders. In 1998, aviation carriers paid nearly \$15 million in premiums while the total paid and incurred losses amounted to about \$25 million. Finding aviation insurance for Alaska’s pilots may become less plausible in future years.

By allowing aviators to form their own insurance pools, rates should decrease over the long term making operations affordable. Pooling allows aviators to group together, forming partnerships while watch-dogging each other in order to protect disaster from occurring and depleting the insurance pool.

Simply, [HB 270](#) provides an additional option for aviation carriers as they battle a rising tide of aviation insurance premiums. Alaskans will benefit as air carriers continue providing the needed air travel to Alaska’s secluded communities. Without affordable insurance, Alaska communities could be cut off as insurance rates squeeze carriers out of the market.