

REPORT ON EXAMINATION AS TO THE CONDITION OF
GLOBAL AEROSPACE UNDERWRITERS
MORRIS PLAINS, NEW JERSEY 07950
AT DECEMBER 31, 2023
NAIC ALIEN NUMBER: AA-9995137

FILED

JUN 11 2025

**COMMISSIONER
NJ DEPT OF BANKING & INSURANCE**

Table of Contents

Salutation1

Scope of Examination.....2

Compliance With Prior Examination Report Recommendations2

History and Kind of Business3

Pool Organization4

Territory and Plan of Operation5

Treatment of Policyholders5

Policy Forms and Underwriting Practices5

Management and Control6

 Board of Directors6

 Officers6

 Corporate Records6

 Policy on Conflicts of Interest7

Fidelity Bond Coverage.....7

Reinsurance7

Accounts and Records8

 Independent Audit.....8

Continuity of Operations8

Conclusion9



PHIL MURPHY
Governor

State of New Jersey
DEPARTMENT OF BANKING AND INSURANCE
OFFICE OF SOLVENCY REGULATION

JUSTIN ZIMMERMAN
Commissioner

TAHESHA L. WAY
Lt. Governor

PO Box 325
TRENTON, NJ 08625-0325

TEL (609) 292-7272
FAX (609) 292-6765

May 30, 2025

Honorable Justin Zimmerman
Commissioner of Banking and Insurance
State of New Jersey
Department of Banking and Insurance
20 West State Street
P.O. Box 325
Trenton, New Jersey 08625

Commissioner:

In accordance with the authority vested in you by the Revised Statutes of New Jersey, an examination has been made of the assets and liabilities, method of conducting business and other affairs of the:

**Global Aerospace Underwriters
115 Tabor Road, Suite 3A
Morris Plains, NJ 07950
NAIC Alien Number AA-9995137
Examination Warrant 1**

a Joint Underwriting Association authorized to transact business in the State of New Jersey, and hereafter referred to in this report as "GAU" or "Pool."

SCOPE OF EXAMINATION

This statutory examination was called by the Commissioner of the New Jersey Department of Banking and Insurance (hereafter "Commissioner," "NJDOBI" or "Department") pursuant to the authority granted by N.J.S.A. 17:29AA-23.

The examination focused on the evaluation of the business, affairs, and operations of the Pool in accordance with N.J.S.A. 17:29A-31. The examination covered the five-year period from December 31, 2018, the date of the last examination, to December 31, 2023, and was guided by the regulatory provisions of N.J.S.A. 17:29A-30-32 (Joint Underwriting), N.J.S.A. 17:29AA (Commercial Insurance Deregulation Act of 1982), and N.J.S.A. 17:30B (Joint Underwriting Association Act). The examination also followed certain procedures formulated by the National Association of Insurance Commissioners ("NAIC") as permitted by the Department. In conducting the examination, examiners leveraged off some of the audit work prepared by **Forvis Mazars, LLP ("FML")**, the Pool's manager's independent certified public accountants.

Only significant findings of fact, statutory deviations and general information about the Pool are included in this examination report. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information), are not included but which were separately communicated internally to other regulators and/or the Pool's manager.

COMPLIANCE WITH PRIOR EXAMINATION REPORT RECOMMENDATIONS

In the prior examination report dated December 31, 2018, the following recommendations were made:

Reinsurance

It was recommended that that transactions between a reinsurance intermediary and the insurer it represents be specified in a written contract in accordance with N.J.S.A. 17:22E-6.

Conflict of Interest

It was recommended that Pool's manager obtain and review all conflict-of-interest questionnaires from their employees on an annual basis.

Examination review indicated that the Pool's manager has complied with the above two recommendations.

HISTORY AND KIND OF BUSINESS

The Pool was created in January 2001 following the purchase of **Association Aviation Underwriters, Inc. ("AAU, Inc.")** by Global Aerospace Underwriting Managers (USA) Inc, a holding company with its parent British Aviation Insurance Group, Ltd. ("BAIG") acting as Guarantor. BAIG was created in 1924 through the merger of White Cross and the Union Insurance Society of Canton and was formed into the British Aviation Insurance Company ("BAIC") in 1931. In 1990, BAIC along with Aviation & General, the London Aviation Insurance Group, and the aviation offices of General Accident, the Commercial Union, and the Eagle Star, combined to form BAIG.

Initially, the Pool was governed by a 2001/2002 Pool Members Agreement and a 2001/2002 Management Services Agreement. These agreements were replaced by the Member's Agreement Relating to the Global Aerospace Underwriting Pool ("Pool Agreement"). **Global Aerospace, Inc. ("Global" or "Manager")**, a successor to AAU, Inc., was tasked with managing pool operations inside the U.S. while Global Aerospace Underwriting Managers Limited ("GAUM") focused on managing pools outside the U.S. Key provisions of this agreement include the following:

- Coverage of all risks attaching on or after January 1, 2003.
- The Pool cannot underwrite for its members any single hull risk in excess of \$90,000,000 or any single liability risk in excess of \$750,000,000.
- Members of the Pool shall only be liable for their own respective proportion of its own insured risk and there shall be no joint or joint and several, liability for any insured risk.
- Any termination of Pool membership shall be communicated prior to June 30th by the terminating insurer for the following year. Any Pool member is subject to termination by GAUM or Global under certain circumstances specifically indicated within the Pool Agreement. Termination of GAUM or Global can be completed by providing at least six months' notice of intent prior to June 30th of each year by all insurers acting jointly.
- GAUM and Global agree to provide all management services as specified within the Pool Agreement in running the Pool business. In return GAUM and Global are entitled for each underwriting year a profit commission of 4% for profits earned and a management fee equal to 2% of the aggregate gross written premium.

Initial insurers of the Pool Agreement include National Indemnity Company, Converium AG, Munich Reinsurance Company, Mitsui Sumitomo Insurance Company, Limited, Royal and Sun Alliance plc and the Tokio Marine and Fire Insurance Company, Limited.

Each pool year is independent of each other, and pool participants and participant pool percentages may vary annually. A listing of companies and their participating percentage in the Pool as of December 31, 2023, is shown below in the next page.

TERRITORY AND PLAN OF OPERATION

The Pool's main administrative and statutory home office is located at Morris Plains, New Jersey. The Pool utilizes several branch offices throughout the United States as indicated below:

Chicago, Illinois
Overland Park, Kansas
Woodland Hills, California

Global underwrites aviation risks for the Pool imposing an underwriting strategy which is reviewed and updated on a regular basis. Risks underwritten include hull, general liability, product liability and workers' compensation (workers' compensation is underwritten by Mitsui Sumitomo Insurance Company of America which bears the risk of that business). The Pool insures major airlines, regional airlines, corporate aviation fleets, private aircraft, airports, product manufacturers, aviation service providers and space and satellite risks. Premiums are generated through the use of independent producers.

Claims related to all lines of business, including major airlines, product manufacturers, airports, aviation professional services liability, general aviation, space, and satellite, and unmanned aircraft systems, are handled through the Pool's home office in Morris Plains, New Jersey and throughout the network of branch offices. Claim payment authority levels are designated for both home and branch offices. Claim check payments above \$25,000 require a minimum of two authorized signatures. Any check issued for an amount above \$250,000 requires a minimum of two authorized signatures, one of which must be handwritten. The Pool utilizes licensed claim adjusters and internal attorneys to manage non-litigated claims. Any matter that proceeds to litigation is handled by external attorneys with oversight of the matter by the Pool's claim adjuster or internal attorney.

For major airlines and product manufacturers, where high policy limits and catastrophic exposure exist, the Pool entered into numerous claims handling agreements with various co-insurers. Under these claims administration agreements, the U.S. Manager has authority to investigate, settle and negotiate claims in those cases where the Pool is the lead insurer. The Manager is entitled to claim administrative fees in exchange for these services provided.

TREATMENT OF POLICYHOLDERS

Global maintains a complaint log with grievances recorded since 1992. There were seven complaints registered during the exam period, which were closed without further incident.

POLICY FORMS AND UNDERWRITING PRACTICES

Global exercises broad authority as to underwriting, including development and filing of rating guidelines, manuals and forms, as well as policy issuance and administration. Global issues syndicated policies in the name of the pool members or, where required, admitted affiliates of those members.

All Global's policies cover "special risks" as defined by N.J.S.A. 17:29AA-3(k), which includes commercial insurance aviation risks. Special risks are exempt from rate filing as per N.J.S.A. 17:29AA-5(b), and from form filing as per N.J.S.A. 17:29AA-6.

MANAGEMENT AND CONTROL

GAUM appointed a Board of Directors ("Board") to review the business and affairs of the Global Pool. Additionally, Pool members appointed Global to manage GAU.

Board of Directors

The following is a listing of members, who are also officers of Global, serving in the Board as of December 31, 2023:

Rachel H. Barrie
Group Chief Executive Officer
London, UK

Alan M.E. Tasker
Group Chief Operating Officer
London, UK

John G. Kelly
Chief Financial Officer
Morris Plains, NJ

Jeffrey S. Bruno
Chief Underwriting Officer
Morris Plains, NJ

Sharon M. Holahan
Global Head of Complex Claims
Morris Plains, NJ

Michael Falcone
Group Chief Actuary, Director of Reinsurance
Morris Plains, NJ

Officers

The following were the senior officers serving at December 31, 2023:

Jeffrey S. Bruno

President

John G. Kelly

Executive Vice President

Michael Falcone

Executive Vice President

Sharon M. Holahan

Executive Vice President

Anthony R. Moschetta

Executive Vice President

Corporate Records

A review of the minutes of the Board meetings revealed adequate oversight of the Manager's business. Examiners noted that the meetings were well attended by the directors, and that overall transactions were adequately supported and approved. The Board reviewed the prior financial condition examination report in the meeting held on November 13, 2019.

Policy on Conflicts of Interest

Global has a policy in place requiring conflict of interest questionnaires to be signed and submitted annually. A review of the questionnaires for the examination period did not disclose any concerns.

FIDELITY BOND COVERAGE

Global maintains fidelity bond coverage in the amount of \$1,000,000 that includes coverage for forgery or alteration of checks, drafts, securities, computer systems, extortion threats and telefacsimile initiated transfers. The amount of fidelity bond coverage as measured by the NAIC's formula and exposure index was deemed adequate. Additionally, Global maintains an insurance program on behalf of the GAU business which is designed to protect its assets from property and casualty risks. Risks include property, general liability, business automobile, international general liability, umbrella/excess, workers compensation & employer's liability, employment practices and fiduciary liability, fidelity bond, aircraft and errors and omissions.

REINSURANCE

The Global Pool, through GAUM, maintains a reinsurance program that protects its members against large losses, although not all pool members may participate. GAUM purchases reinsurance on behalf of pool members except for Tokio Marine and Nichido Fire Insurance Co., Ltd. At year-end 2023, the reinsurance program consisted of 20 reinsurance contracts that mostly incept on January 1 of each year on a risk attaching basis. The contracts, each falling within one of the following five categories, were reviewed for acceptable terms and conditions:

Excess of Loss

Surplus Treaty

AVN52 War Liability Risk Excess

Non-Major Risks Hull War Quota Share

Major Risks Hull War Facultative Reinsurance

As a supplement to these contracts, pool members can also purchase additional reinsurance, separate from the Pool, to cover their individual pool exposure.

The Global Pool utilizes both authorized and unauthorized reinsurers in obtaining reinsurance. Letters of credit are used to secure outstanding unauthorized reinsurance balances. Reinsurance intermediaries were employed during the examination period, and in keeping with best business practices, agreements have been entered into with these intermediaries specifying their responsibilities and obligations.

ACCOUNTS AND RECORDS

All the Pool's books and records are maintained at its administrative office located in Morris Plains, New Jersey, where funds are received from member companies which are then invested in short term cash and cash equivalents to fund its operations. The Pool uses Microsoft Dynamics GP (formerly Great Plains) accounting software for its general ledger and financial reporting functions. Premium, loss and reinsurance transactions are recorded using its internally developed NEXUS System which interfaces with the Pool's general ledger. The following is a list of some of the other computing systems:

- Nexus integrated insurance system
- Basil reporting system
- Great Plains accounting software
- Vertical Line Receivables
- Asbestos indirect claim system

Independent Audit

An annual audit was performed by FML, based in New York, New York, and an audit report was produced for fiscal years 2023 and 2022. The auditors concluded that the financial statements presented fairly, in all material respects, the financial condition of the Manager.

CONTINUITY OF OPERATIONS

Global maintains a formal disaster recovery and business continuity (DR/BC) plan, which is tested annually, to preserve its stability and continued operation in the event of a man-made or natural disaster. The DR/BC plan addresses and provides for the restoration of Global's IT systems as well as critical and non-critical business functions. Data is backed up to local storage and then replicated on a real time basis with the Manager's London office. In addition to data being maintained in London, local backups in New Jersey and in London are now stored with a cloud-based provider, Wasabi Technologies.

CONCLUSION

The statutory examination was conducted remotely by the undersigned with the assistance of the NJDOBI field and office staff. Tests and analyses applied to the foregoing report items did not yield any reportable recommendations. The courteous cooperation and assistance extended during the course of this examination by the officers and employees of the Pool's Manager is acknowledged.

Respectfully submitted,



Juan P. Collado, Insurance Examiner I
Examiner-In-Charge, NJDOBI

Sheila M. Tkacs

Sheila M. Tkacs



SHEILA M. TKACS
NOTARY PUBLIC
STATE OF NEW JERSEY
My Commission Expires

July 2025