

This Free E-Book is brought to you by Natural-Aging.com.

**[100% Effective Natural Hormone Treatment](#)
Menopause, Andropause And Other Hormone Imbalances
Impair Healthy Healing In People Over The Age Of 30!**

Understanding Aircraft Insurance Policies

By Greg Reigel

Understanding Aircraft Insurance Policies by Greg Reigel

My Policy Says What?!: Understanding An Aircraft Insurance Policy

© 2004 Reigel & Associates, Ltd./Aero Legal Services. All rights reserved.

Many states require that owners and/or operators of aircraft have insurance covering their aircraft and operations. At a minimum, states usually require third-party liability coverage. This applies to injuries to third-persons that result from operation of your aircraft. Additionally, if your aircraft is pledged as collateral for financing, the lender will require that you have hull coverage and/or replacement value insurance to insure the value of the aircraft collateral.

Obtaining the Policy

So, how do you obtain aircraft insurance? Typically, you apply for aircraft insurance through an insurance agent or broker who represents an insurance company or companies that provide aircraft insurance policies. The insurance company then reviews the application and does any additional investigation necessary for it to assess its risk in providing you with insurance for your aircraft or operations. Its risk is the likelihood that it may have to pay out on a claim against your policy.

In exchange for its acceptance of risk, the insurance company charges you a premium. The amount of that premium is a direct product of the amount of risk that the insurance company is assuming by extending coverage to your aircraft or operation. The greater the risk, the more expensive the insurance coverage will be. In

Understanding Aircraft Insurance Policies

some cases, the insurance company may not be willing to accept a particular risk for any price.

Factors that affect the underwriting decision include type of aircraft, pilot qualifications (e.g. total time, time in type, pilot certificates/ratings), nature of the operation

(e.g. pleasure, business, Part 91 or Part 135) and base of operations. General aviation policies can include non-commercial pleasure and business use under FAR Part 91 or commercial use under FAR Part 135.

Reading the Policy

When an aviation insurance policy is issued, it represents a contract between you and your insurance company. As long as you comply with all of the terms and requirements of the policy, your insurance company will provide you with coverage. If you fail to comply and a claim arises, you may find yourself without coverage.

But, what does the aircraft insurance policy actually say? Well, as a practical matter, it is quite common that pilots and operators do not read their policies. Sure, they may review the declaration page to confirm that the correct parties are named and that the appropriate coverage limits are in place, but often times that is as far as it goes. Sometimes an owner or operator may even ask his or her agent to explain some of the policy's terms.

Unfortunately, the policy contains quite a bit more information of which the pilot or operator needs to be aware of to ensure that he or she complies with the terms of the policy. A thorough review of the policy is both prudent and recommended.

This review should begin with the Data Page or Declaration Page. First, confirm that the aircraft is correctly identified and that the appropriate owner and any additional insured parties are included. Also read the coverage limits to make sure that you have the limits for which you are paying.

Aircraft Damage Coverage

The typical aircraft insurance policy will include both aircraft damage coverage, as well as aircraft liability coverage. The aircraft damage coverage applies when your aircraft sustains damage (e.g. bent metal, broken windows etc.). This coverage comes in two

Understanding Aircraft Insurance Policies

flavors: In-flight/In-motion and Not-in-flight/Not-in-motion.

As you may have guessed, in the first instance your aircraft will be insured for damages it sustains while it is in use: moving under the power of its own engine, whether taxiing or flying. In the latter instance, your aircraft will only be insured while it is parked on the ramp or in the hangar. This coverage is less expensive because it presents far less exposure to the insurance company. It will only have to pay a claim if something happens to your aircraft while it is standing still and not in use. An aircraft owner may want this limited coverage when the aircraft is going to be stored and unused for a period of time.

It is also possible to purchase "all risk ground and flight" coverage. This coverage protects you whether the aircraft is moving or not. However, a policy with this coverage will likely be more expensive than a policy that is either In-flight/In-motion or Not-in-flight/Not-in-motion.

The aircraft damage coverage provides for transportation of the aircraft to and from the location at which the repairs are made, any related storage charges and the actual repair of the aircraft. However, most policies will also exclude coverage for damage sustained by your aircraft as a result of governmental seizure, resulting from repossession or enforcement of a lien against your aircraft or damage that is due to ordinary wear and tear, deterioration or age.

Assuming the damage to your aircraft is covered, you should read your policy language to determine whether it contains any specific restrictions or requirements relating to processing of your claim, who performs the repairs, where they are performed and even how they are to be performed. Simply because you have insurance coverage, this does not mean that you have carte blanche for having your aircraft repaired.

Aircraft Liability Coverage

Aircraft liability coverage protects you from liability or responsibility to third-persons for damages they may suffer resulting from the operation of your aircraft. The coverage requires that the insurance company both indemnify and defend you against such claims. Indemnification means that if you are responsible for the damage

to a third-person, the insurance company will pay the third-person directly, up to the policy limits, the amount for which you are responsible.

Understanding Aircraft Insurance Policies

The duty to defend means that the insurance company will pay for your defense costs if you are sued by a third-person alleging that your operation of your aircraft caused damage. The insurance company will hire an attorney, usually experience in aviation law, to represent you and defend against the claims. Given the complexity and cost of aviation litigation, this benefit alone can be worth a substantial amount of money and may even exceed the amount of money actually paid by the insurance company to indemnify you.

Your policy will always have a maximum limit for liability coverage that can be either "sub-limit" or "smooth" coverage. An example of sub-limit coverage is a policy that provides for \$1,000,000 per occurrence and \$200,000 per passenger. This does not mean that you have \$1,000,000 to pay all claims.

Rather, the insurance company will pay a maximum of \$1,000,000 per occurrence, but will only pay each passenger up to a maximum of \$200,000. Thus, for an accident in which only one passenger is injured, the insurance company's maximum exposure is \$200,000, exclusive of any amounts it spends on your defense.

On the other hand, smooth limit coverage of \$1,000,000 per occurrence will provide up to \$1,000,000 of coverage regardless of the number of passengers. This coverage presents a greater risk to the insurance company since it could have to pay the full policy limits even if only one person is injured. As a result, greater risk means that the premium for this coverage is going to be more expensive than the premium for a policy containing sub-limits.

Policy Definitions

When you read an aircraft insurance policy, you need to pay special attention to the definitions section. Many of the terms used in the policy have specific definitions that are different from a dictionary definition or common usage for that word.

Examples include the definition of "accident" which is often defined as a "sudden and unexpected event resulting in bodily injury, death or property damage". This is different than the definition of accident contained in NTSB Rule 830 and is also more specific than a dictionary or common usage definition of the word.

Another example is the definition of "commercial operations" or "commercial purpose." An insurance

Understanding Aircraft Insurance Policies

policy's definition of this term is usually different from, and in some cases may be broader than, the FAA's or IRS's definition or a dictionary definition.

These are just two examples. However, remember that the aircraft insurance policy is a contract between you and the insurance company. Both you and the insurance company agreed to the policy definitions when you paid the premium and the insurance company issued the policy. As a result, both you and the insurance company will be bound by those definitions.

Coverage Exclusions

Your aircraft policy will also contain exclusions. Exclusions define circumstances in which the insurance company will not provide you with coverage for operation of your aircraft. An aircraft insurance policy usually includes both specific and general exclusions.

Specific exclusions arise when you assume additional liability (e.g. you sign a contract that indemnifies or holds someone else harmless for damage they cause), damage occurs to your own property or injury occurs to members of your family. The policy may also specifically exclude coverage for your own medical expenses or for your operation of an aircraft that you do not own.

Depending upon the state in which the aircraft is based, general exclusions can result in denial of coverage regardless of whether they directly caused a particular claim. These exclusions will preclude coverage for operation of your aircraft in commercial operations (as defined by the policy, not necessarily the FAA or IRS), using your aircraft to commit unlawful acts, damage caused by war or terrorism or if your aircraft is operated by a pilot that is not named as an insured on the policy and does not meet the open pilot qualifications.

Who Is Covered

Assuming no exclusions are applicable, the policy will provide coverage to each person named as an insured under the policy and to pilots who meet the "open pilot" requirements. As a threshold matter, each pilot operating the aircraft, whether named insured or qualifying under the open pilot provision, will need to possess the appropriate pilot and medical certificates and meet all currency requirements for operation of your aircraft.

Understanding Aircraft Insurance Policies

The open pilot provision extends the coverage of your aircraft insurance policy to a pilot operating your aircraft who is not a named insured on your policy. The provision sets out total time, time in type and training requirements that the unnamed pilot must meet in order for the pilot to be covered under the policy. Generally, if those requirements are met and the pilot is operating your aircraft with your consent, your insurance coverage should extend to that pilot.

What You Can Do

The complexities of aircraft insurance can seem daunting. But, what can you do to protect yourself? The first, and one of the most important things you can do, is to read your insurance policy. If you have questions regarding terms or coverage talk to your insurance agent or contact an aviation attorney who is familiar with aviation insurance matters.

Once you understand the policy, make sure you abide by the policy and comply with its terms and requirements. It makes little sense to spend substantial amounts of money on insurance premiums and then place your coverage in jeopardy by doing or allowing something your policy prohibits.

Next, document your operations. What do I mean by that? Simple: Keep good records. Make sure your pilot logbook is up-to-date and current. If you take your pilot logbook with you when you fly, make copies of the pages containing your satisfaction of the FAR currency requirements and keep the copies in a safe place.

This way, if something happens to your pilot logbook and your insurance company or the FAA later question your currency, you will have back-up proof that you were current for your flight. Although not as critical, you may also want to keep a photocopy of your pilot certificate(s) along with your logbook records.

Finally, you should use this same procedure for your aircraft and engine logbooks. If you must take them with you in the airplane, make copies and keep them in a safe place. In this instance, you may want to make a full set of copies of the logbook entries, rather than just the pages showing the aircraft's current airworthiness. An aircraft that contains logbook entries for all of the work ever performed on the aircraft is worth more to a potential purchaser than if those records are incomplete or missing.

These simple steps can prevent potentially costly disputes down the road. It's been said that the best insurance is the insurance you never have to use. That may be, but if you take these steps, you should have greater peace of mind that your insurance will be there if you need it.

Marriage Shouldn't Determine Your Health Insurance Policy

By Elizabeth Newberry

It's common for people who share a life together through marriage to also share a health insurance policy. Marriage brings two people, and everything they own, together; sometimes, "everything they own" includes their health insurance policies. While most married couples choose to use one health insurance policy to cover both because it seems more affordable, there are actually benefits to having two separate health insurance policies.

It's true that using one health insurance policy for both people after marriage can sometimes save money; however, what happens if both spouses already have health insurance policies with which they are satisfied?

If this is the case, it's time to sit down and list the pros and cons of both keeping separate health insurance policies, and deciding on one health insurance policy to stick with.

If you and your spouse both have health insurance policies, think about how pleased each of you is with your separate health insurance policies. If you're both extremely satisfied with your own health insurance policies, it may not pay to eliminate one and keep the other. You may have a health insurance policy that allows you to see certain specialists your health requires you to see at lower prices while your spouse, who doesn't need to see these specialists, has a plan that doesn't cover these specialists.

On the other hand, your spouse may have a health insurance policy that offers benefits your current health insurance policy doesn't offer, or vice versa. If your spouse's health insurance policy is cheaper than your health insurance policy, and offers the benefits you want and need but don't currently have, perhaps you should consider dropping your health insurance policy and joining your spouse's health insurance policy.

Ultimately, as long as the coverage needed is offered, and the prices paid are affordable, whether you keep separate health insurance policies or decide to use only one after marriage is entirely up to you.



This Free E-Book has been brought to you by Natural-Aging.com.

[100% Effective Natural Hormone Treatment](#)
Menopause, Andropause And Other Hormone Imbalances
Impair Healthy Healing In People Over The Age Of 30!