

What’s In Your Aircraft Insurance Policy?

By Heidi R. Albers

When was the last time you looked at your aircraft insurance policy? Are you now thinking that you would rather take out the trash, stand in line at the DMV or get stuck in traffic than read your insurance policy? You are not alone. However, it is far better to take the time now to check for any coverage gaps in your insurance policy than to discover after a loss that you have no insurance for a claim that you thought was covered. Here are 5 questions to get you started:

1. Named Insured: Does the Named Insured description under the insurance policy include all persons and entities that may need coverage? The Named Insured under your policy should include the aircraft owner and related parties that may have legal liability or require insurance defense in the event of a lawsuit. The following is an example of a broadly worded Named Insured clause: “XYZ Company, LLC, its members, managers, directors, officers, employees, agents, subsidiaries and affiliated companies”. The Named Insured owns the policy, controls the claims process and benefits from all policy coverages.
* Best Practice Tip: Inform your aviation insurance broker about the aircraft owners, operators, lessees, lenders, and others (such as corporate affiliates of the aircraft owner and their employees) who may have legal liability with respect to the aircraft operations to ensure coverage for these parties under the policy.
1. Pilots: Are your pilots approved under the insurance policy? Claims are routinely denied in cases in which the pilot is not approved under the insurance policy. Often, the insurance policy names certain pilots who are approved to operate the aircraft and includes an open pilot warranty for other pilots provided they meet certain minimum qualifications. This can be negotiated in some cases for a broader pilot approval clause to cover any pilot approved by the Named Insured.
* Best Practice Tip: Take seriously the requirements for pilot certificates, experience (hours flown) and training (initial and recurrent). The insurers certainly do.
1. Invalidation Protection: Do you have coverage if another insured voids the insurance policy? If someone else is insured under your policy (an additional insured) and they do something that voids your policy, there may not be coverage for you unless the policy states that you still have coverage when another insured invalidates the policy. This issue is addressed by requiring breach of warranty (for physical damage claims) and invalidation of interest (for liability claims) clauses in your favor under the policy.
* Best Practice Tip: In the current insurance market environment, you may have to pay an additional premium to obtain breach of warranty/invalidation coverage.
1. Purpose of Use: Does your insurance policy cover your aircraft use? Coverage may be denied if you use your aircraft for a purpose that is not covered under the policy and there is a loss. For example, some policies restrict coverage to non-commercial aircraft use. In some cases, you may be able to negotiate a broader purpose of use clause to cover “all operations of the Named Insured”.
* Best Practice Tip: Provide your aviation insurance broker with a description of all anticipated uses of your aircraft and ensure that such operations are approved and covered by your aircraft insurance policy.
1. Aircraft Contracts: Does your insurance policy comply with the insurance requirements under the contracts for your aircraft? If you entered a contract with someone (for example, the bank that gave you a loan for the purchase of your aircraft) and agreed that you would have certain coverages under your policy, you should check your policy to make sure it satisfies the insurance requirements of that contract. If not, you are in breach of the contract and may not have insurance coverage if there is a claim for liability that you assumed under that contract. In addition, many aircraft insurance policies require that you submit a copy of such aircraft contracts to your insurance company for contractual liability coverage.
* Best Practice Tip: Before you sign any aircraft contracts (especially indemnification agreements), provide them to your aviation insurance broker for review with the underwriter to ensure coverage.

This is not an exhaustive list and there are other considerations, including confirming that the insured value of your aircraft is not over or under insured in the current market. It is important to periodically review the coverages, limits (maximum amount of insurance available) and exclusions with your aviation insurance broker to confirm that your policy fits your situation. In addition, it is a good idea to consult with your trusted aviation attorneys at Cooling & Herbers, PC.