

## Aviation Insurance

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Aviation insurance is written by a small number of specialty insurers. Insurance agents rarely get requests to write an aviation policy, so they rely on aviation insurance market representatives for arranging general aviation business (non-commercial airline) coverage.

### Types of Aviation Businesses

The categories of general aviation business include:

- public,
- corporations,
- business,
- personal,
- instructional,
- aerial application (aka crop dusting),
- aerial observation, and
- air taxi.

### Types of Aircraft Owners/Operators

**Industrial Aid Operators** are corporate aircraft owners that employ full-time, highly skilled professional pilots.

**Business and Pleasure Operators** are entities that own and operate aircraft for both business and pleasure use but do not have professional pilots. In many cases, the insuring firm's president or a chief executive officer is the principal pilot.

**Flying Clubs** are non-profit organizations composed of at least three individuals who jointly own and operate aircraft for pleasure use only.

**Fixed Base Operators** are airport-based businesses that own, operate, buy, sell, rent and lease aircraft. The term also refers to services that provide fueling, repairs, flight instruction, and other aviation services.

Each classification of aircraft owner/operator requires varying types of coverages, including: aircraft hull and liability, medical payments, voluntary settlements, airport liability, hangar keeper's liability, product liability and workers compensation

### Hull Coverages

Hull insurance provides either All Risks - While Not in Flight or All Risks coverage. All Risks - When Not in Flight protects the insured against damage to physical loss while the plane is on the ground (including while being taxied). All Risk protection handles losses occurring both on the ground and during flight. This coverage is broad, but contains exclusions for losses involving war; nuclear activity; damage to tires; wear and tear; deterioration; mechanical or electrical breakdown; equipment failure; and damage arising out of noise or vibration including sonic boom.

A deductible generally applies to all losses while the aircraft is in motion, including taxiing. The "plane-not-in-motion" deductible does not apply to fire, explosion, lightning, theft-related or vandalism losses. Neither does the deductible apply to accidents that occur while a conveyance is transporting an insured plane.

The policy handles losses that occur during the policy period while the aircraft is within the U.S., its territories and possessions, Canada and Mexico, or en route between these points.

### Liability Coverages

Aircraft Liability coverages consist of two separate insuring agreements: Bodily Injury, excluding passenger liability, and Passenger Liability. Typically, "passenger" is a defined term referring to any person in, on, boarding, occupying or leaving an insured aircraft. The term does not mention whether the passenger has to pay a fare. However, if the insured collects a charge for passengers the policy must be rated and described as commercial use.

Liability limits may be split to apply per passenger and per loss (for Bodily Injury) or may be written on a single limit basis to provide protection for Bodily Injury, Property Damage and Passenger Liability. A single limit may also be used under the Bodily Injury excluding Passenger Liability basis.

An aircraft policy may also include Medical Payments protection when Passenger Liability coverage is purchased. Generally, Medical Payments can be added to policies covering business, pleasure and industrial aid classes. A Voluntary Settlement (a.k.a. Admitted Liability) provision is usually added to the policy in conjunction with Passenger Liability. The provision responds with pre-determined sums of money for the loss of life, limbs, or sight suffered by a passenger in an accident. The payments are made regardless of legal liability. When this provision is used, the injured party must provide the insurer with a release of liability against the insured. Without a release, any voluntary settlement is withdrawn. This coverage may be written with a "per person" limit and can include or exclude the crew.

If you have an aviation-related exposure, you need to fly to your nearest insurance professional and discuss any coverage needs.

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