

THE FIVE THINGS YOU NEED TO DO BEFORE RENEWING YOUR AVIATION INSURANCE

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If you're like most owners and pilots, you simply renew your aviation insurance policy every year. If it was good enough last year it will be good enough this year. Then you probably don't give it another thought until next year. And this pattern often repeats itself for many years.

There are two very big problems with this scenario. First, things change. Your aircraft, where you fly, who you fly with, how much you fly...many of these things can change over the years, and they should be reflected in your policy. Second, and even more serious, it is quite possible that your policy wasn't the right one for you to begin with! In that situation, you are simply renewing your mistake year after year.

In either case, your aviation insurance policy deserves a little bit of your time once a year. Here are the five things you should do to make sure you are adequately protected.

1. Choose Your Broker

When you insure your home or your business, a broker can choose from dozens and dozens of insurance companies. As a result, shopping around with a few brokers can make sense. Chances are, they may not even approach the same companies for your quote.

In the case of aviation insurance, however, there are only four or five companies in Canada to choose from and even fewer that specialize in light aircraft. Obviously, it doesn't matter how many brokers you go to, the odds are that they will be approaching the very same companies on your behalf. This can actually be a serious disadvantage for you, as some companies will simply refuse to quote in these circumstances in order to avoid the feeding frenzy that can result when a number of brokers vie for the same account.

So, as you can see, choosing your broker is the first step. But how do you choose? And are there any alternatives to a broker?

Let's look at alternatives first. The only alternatives to a broker are the direct sellers (like Avemco) and special programs (like COPA's). In these cases you are dealing with a salesperson who can only offer you the one product they represent. As a result, these options tend to be promoted on the basis of cheap rates—but like "bargains" anywhere, they do so by cutting coverage and often leaving you seriously underinsured. If you really want to know what they can offer you, check them out. But before you make your decision, be sure to talk to a broker who works for you and not any one company.

So how do you choose the right broker? Start by finding an aviation specialist. Although any general insurance broker can sell you aviation insurance, they simply do not have the experience or familiarity with the field to be your best choice. Even more importantly, they usually can't get you the best rates.

As an aviation specialist, I deal with the companies and underwriters every single day. I get to know them personally and I place a lot of business with them. Now compare that to the average general insurance broker who maybe places one or two policies a year with that company. Who do you think will get you the better results?

Finally, make sure that you are comfortable with the broker you choose. Just because someone specializes in aviation insurance doesn't automatically mean they are good. Do they take the time to ask you questions, get to know your needs, and fully explain things to you in a way you can understand? If they do—congratulations, you've found your broker!

They will probably ask you to sign a "Letter of Brokerage" which will let insurance companies know that you have in fact appointed them to be your broker.

Then you can move on to the next four steps.

2. Confirm the Value of Your Aircraft

Neglecting to keep up with the market value of your aircraft is one of the most common renewal mistakes. If you do this year after year, you could be in for a rude awakening. Aircraft values have soared in recent years, with many doubling in price over the last decade.

Unlike home or auto insurance, aviation insurance is a "stated value" policy. That means that the owner is responsible for declaring the value of the insured aircraft. If you undervalue your plane, you risk losing it after even a minor accident. As I have explained many times in this column, the "stated value" is the maximum the insurance company will pay out—and they will keep the plane as salvage.

So whether you have simply neglected to increase the value on your policy at renewal time or have tried to save a few bucks on the premium by insuring for a lower amount you are taking a very big gamble. Make sure you resolve this issue at your next renewal.

3. Review Your Liability

Make sure your policy doesn't have passenger or family member restrictions. This is the most common way that companies offer "bargain" policies. It is also the most common way owners lose everything they own when courts award large injury settlements that are not covered by their "bargain" policy.

I regularly see people with limits of only \$100,000 per person. You'd never consider such a low amount for your home or auto insurance, so why allow it on your aviation policy? With the high court settlements being awarded today, one to two million dollars should be the least you consider.

4. Get the Right Coverage for Your Needs

At every renewal, you should discuss your flying habits with your broker. Many companies have territorial restrictions to the U.S. or to the north, and some have restrictions for dirt or grass landing strips. Make sure your policy covers the kind of flying you do.

If you have made—or are planning to make—any upgrades or changes to the configuration of your aircraft, you may need to make some adjustments to your policy. Otherwise, you may find yourself out of luck in case of an accident.

5. Protect Your Interests

Finally, you should discuss any other unusual circumstances regarding your aircraft. You may need to arrange for special coverage to protect your interests.

One common example I run into is an owner who has his aircraft on lease to a flying school or commercial operator. If the lessee commits an illegal act or omission, your aviation policy could be nullified. In these situations, you should obtain "Breach of Warranty" coverage which will pay a lien holder's interest despite the policy being otherwise invalidated.

Following these simple steps once a year at renewal time is an easy way to make sure that your aviation insurance policy continues to protect you. So don't take the easy way out...don't just say "renew it as is for another year."



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