

# WHAT IS THE RIGHT LEVEL OF COVERAGE FOR YOU?

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In my business, I regularly see the consequences of being underinsured. I am also regularly surprised by the lack of understanding about their aviation insurance policies that many aircraft owners exhibit.

The result of these two facts can be very sad. I've seen people lose their aircraft, their life savings, even their future earnings because they didn't insure themselves adequately.

So this month I'll review the different types of aviation coverage available to you—and why you might want to buy it.

## LIABILITY COVERAGE

Liability coverage is the first thing to look at when deciding on your aviation insurance. If you damage your \$30,000 airplane without coverage, you may be able to deal with that level of financial loss. However, if someone is injured or killed in an accident you may be sued for hundreds of thousands—or even millions—of dollars.

What many people don't realize is that your net worth has nothing to do with your risk. If someone is left paralyzed, for example, the courts will rule on damages based on the injuries suffered not on how much money you have. So you have to ask yourself if you want to risk losing all of your current assets as well as your future earnings in order to pay a judgment or whether it would be wiser to get yourself enough insurance to really protect you.

There are two areas of liability coverage. **Third party liability** is the bare minimum coverage required by law. There are different minimums (starting at \$100,000) set out by Transport Canada depending on the gross weight of your aircraft. This coverage protects you against claims by people who have been injured or whose property has been damaged as a result of your use and ownership of the aircraft. Third party liability insurance does not cover damages or injuries to your own passengers.

To cover you against claims from your passengers, you need the second type of liability coverage. Passenger liability, as the name implies, will cover any claims made by your passengers. These often lead to some of the biggest settlements you hear about. Many policies which offer you significantly lower rates do so by limiting the passenger liability amount; some policies even have further limits on claims by family members, the people you would most like to see taken care of. Many pilots I talk to aren't even aware that their policy limits passenger liability. So check your policy. Don't wait to be surprised when it's too late. If you always fly solo, reducing your passenger liability can be a legitimate way to save on premiums, but otherwise it can be a very risky practice.

## HULL COVERAGE

After you've taken care of the liability portion of your policy, it's time to consider hull coverage. This part of your policy protects the aircraft itself against damages.

There are three levels of hull coverage, each adding additional protection. The most basic is **Hull ground only**. This only covers you while the aircraft is on the ground and *not in motion*. As soon as you start the engine you are no longer covered.

The next level, **Hull ground and taxi**, adds coverage while you are in motion on the ground—but *only until you begin your take-off attempt and after you have finished your landing roll*. Many pilots have been surprised to find out that detail after the fact. Let's face it, the truth is that most accidents happen during take-off or landing, so this level of coverage leaves you unprotected against the most likely scenarios.

If you want to be fully protected, you have to go all the way and get **Hull all risk flight and ground** coverage. As its name implies, this is the most complete protection you can buy and will cover you during all stages of flight as well as storage.

One very important aspect of hull coverage you need to know is the importance of making it equal to the full market value of your airplane. Don't, under any circumstances, try to save a few dollars by insuring for less than the fair market value.

Here's why: let's say you have a \$75,000 plane which you insure for only \$25,000, figuring that you're not likely to cause more damage than that. Then you have an accident and do \$35,000 of damage. Everyone can figure out that the insurance company will only give you a cheque for \$25,000. What often comes as a shock is that after they give you the cheque for \$25,000...they take your airplane—all of it—as salvage. After all, it was "totalled" according to the insured value.

So there you have it: all your aviation insurance choices in a nutshell. What level of coverage is right for you?



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