

DON'T LET THIS HAPPEN TO YOU

BY: DAVE FITZPATRICK

I spend a great deal of my time explaining the importance of adequate liability coverage to my aviation insurance clients. But it seems that regardless of how often I explain the concept, many people just don't believe it could happen to them. So this time, instead of just the theory, I'll tell you about a real-life example that happened just this past summer. (The details have been changed to protect the identities of those involved.)

A Great Day Turns Tragic...

Bob was loading his 1975 Cessna 172 on a beautiful July morning in British Columbia. He had invited his neighbours to join him and his wife Irene for a scenic flight over the Okanagan Valley. After an uneventful start-up and taxi, the aircraft took off on its flight. Soon, the delightful scenery had Bob's passengers in awe.

Unfortunately, the situation suddenly took a turn for the worse. Bob hadn't given much thought to density altitude in his pre-flight calculations, since flying in this area had never presented him with a challenge in the past. However, Bob did not usually fly his Cessna near gross weight, especially on days as hot as this one.

The valley he was in veered sharply to the right. The 7,000-foot valley walls and the 9,000-foot mountain straight ahead left no room for movement, and the aircraft would not climb due to the weight and temperature. Bob decided his best option was to force land the aircraft in the valley below.

The Cessna was badly damaged and all four passengers were seriously injured.

It Gets Worse...

Bob had purchased his aviation insurance from a company which offered very attractive low premiums. What he didn't realize was that aviation insurance—like so many other aspects of life—follows the old adage that “you get what you pay for”. The way aviation insurers accomplish these low rates is by cutting coverage's. And the most common way they do this is by imposing what they call “passenger limits” and “family limits”.

What this means is that there is a cap on the amounts which can be paid to passengers and family members under the policy. In Bob's case, the passenger limit was \$100,000 and his family limit was \$25,000. Unfortunately, limiting the amount your in-

surance will pay does not limit the amount that courts will award in damages. This is the part many owners don't understand. They feel that if they don't have it, they can't pay it. This just isn't true. The courts will force people to liquidate all their assets and garnishee future earnings to satisfy a liability judgment.

In this case the injuries to Bob's neighbours were quite severe and they sued for damages. The cases are still tied up in court, but it looks like the damage awards will be over \$1 million each. His wife's injuries were also quite severe and have forced her to stop working as well as incurring ongoing care costs.

As a result of his limited liability coverage, Bob will be on the hook for the court awards in excess of the \$200,000 his insurance will pay, an amount that could easily surpass \$2 million. His wife, who would have been entitled to a significant amount of insurance money, will have to settle for the \$25,000 maximum called for in his policy. To meet his obligations, Bob will have to sell his airplane (which *was* covered by his insurance), his home, and all his other assets.

The Moral of the Story...

Perhaps the first thing worth mentioning is that if Bob had kept up a pilot proficiency program for himself and taken recurrent training annually, he might have recognized the potential risks of flying “high, hot, and heavy”.

But the point I want to make is that unless you always fly alone, buying aviation insurance that limits passenger and family liability amounts is a very risky thing indeed. While it will save you some premium dollars, the downside is so huge that you could spend the rest of your life regretting your decision.

So check your insurance and make sure you know the limits imposed by your policy. And when you compare policies offered by different companies, make sure you are comparing apples to apples—very often that bargain comes at a high price.



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