

Aviation Insurance Basics – Which Policy Is the Right One?



Photo by Morgan Anderson Photography

When it comes to aviation insurance, the operator of a single-engine airplane used to visit clients in a tri-state area has many of the same responsibilities and challenges as the manager of a large flight department with a hangar full of long-range business jets that fly around the globe. For business aviation operators of any size, however, purchasing and staying up-to-date on aviation insurance needs and policies is a task that all too often is relegated to last-minute, bottom-of-the-pile status.

“A lot of people don’t understand what’s in their insurance policy until they need to know it – and then it’s too late,” says NBAA’s Mike Nichols, vice president, operations, education & economics. “Having an understanding of your policy – knowing what coverage you have – is key.” Nichols, the staff liaison to the NBAA Tax Committee, notes that the Committee’s working group on aviation insurance posts educational articles on the NBAA web site and sponsors on-demand learning opportunities on the subject. The Committee also hosts the annual NBAA Tax, Regulatory & Risk Management Conference, which includes a special session devoted to aviation insurance.

All Aviation Policies Are Not Alike

Perhaps the most important element in successful aviation insurance planning is establishing a relationship with an aviation insurance broker. “The right insurance coverage is different for every aviation

operation,” says Nichols, noting that only brokers who specialize in aviation insurance can really understand the needs of an owner-operator or the dynamics of a large flight department.

Stuart Hope, co-owner of Hope Aviation Insurance and a member of the NBAA Aviation Insurance Working Group, agrees. “All aviation policies are different. It’s not like car or homeowner’s insurance, where the policies are basically the same.” Finding a broker you trust is often accomplished via word-of-mouth, but Hope also recommends checking out a broker’s credentials, which often are posted online, and asking if the broker also is a pilot.

Once an aviation insurance broker is selected, the broker will need to be provided with detailed information so that he or she can best represent your needs to insurance underwriters. For a new aircraft purchase, information on the aircraft, passenger and crew seating, acquisition value and proposed financing type and amount, as well as ownership and operating intentions and structure, will generally be necessary. Knowing what insurance coverage and limits a specific operation needs, for both new and current owners, also is important.

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Hull and liability insurance are the two main kinds of aviation insurance, but experts note that there are many other types, depending on the individual operation. Brint Smith, senior vice president and private aviation practice leader at Marsh Aviation, says that worker’s compensation, foreign travel, off-airport liability and other factors can affect aviation insurance needs.

The good news, according to Smith, is that “it’s an insurance buyers’ market” at the present time, with a large influx of new underwriters and a stellar business aviation safety record. Hope says some rates are down by as much as 20 to 30 percent – great news for anyone shopping around for a new aviation insurance policy. ❖