

Recently I felt the need to visit my aircraft insurance with the intent to add an aircraft to my policy. These days I don't have the luxury of wasting my money on any item, and that includes insurance. But, neither can I risk my assets unnecessarily. And, of course I must comply with the law, whatever that might be.

The problem for me was that recently the information I was receiving from my insurance representative didn't seem to be logical, and since I despise bad logic nearly as much as Government waste of my taxes, I began to do my research. Keeping in mind that I aint no lawyer, what follows is what I found;

I could see three needs for aviation insurance;

- 1/ From laws, to cover my Legal liability
- 2/ From Contractual needs (to protect a finance company, or to meet a condition of some Government licence)
- 3/ For personal compensation or recovery of personal loss of value or benefit from an accident.

So, first, I decided to determine what was my legal obligation to buy insurance? I found section 5. of the Canada Aeronautics Act and section 606.2 of the Canadian Aviation Regulations require liability insurance, and insurance of passengers against injury to the tune of \$300,000 per seat (...unless the seat is occupied by a parachute jumper, really!). OK so I don't carry jumpers, but I need liability.

Secondly, I do have a hanger lease from the Yukon Government and they require that I obtain liability insurance for that. But I have no loan so no contractual requirement with any finance company.

And finally, I would like to be compensated financially should I lose the aircraft to mishap, providing the premium is what I feel is reasonable. I will purchase "Hull" coverage or "collision" or whatever it is called, unless I feel the cost is excessive, then I may decide to forgo this coverage.

I did a little more research and found Insurance companies need to be licenced to sell me aviation insurance. Here, in the Yukon (like other jurisdictions), an Insurance Act and Insurance Regulations govern the details of licencing and outline the insurance companies responsibilities from a Corporate/Consumer Affairs perspective. But, outside of the companies own "liability" issues and responsibilities there is very little in this legislation of relevance to me in my day-to-day flying. "Hull" insurance here in Yukon appears to be purely a "contractual" arrangement to be dealt with in Civil courts should disagreements arise. Should I have any questions or issues the "Superintendent of Insurance" is the person to go to, and they are found in the legislation.

So, now I felt I was ready to deal with the insurance industry to find out what the costs are for the coverage I need, and maybe for the coverage I may want. But, in my recent case, I found a good illustration of how difficult navigating in the insurance industry can be;

## Making Sense of My Aviation Insurance

*I contacted my current insurer and explained my desire; to add my new co-owned ultralight airplane to my liability policy. I currently buy "Gold" insurance for my SuperCub which I value at \$75,000 (Canadian). Included in this is my liability up to \$1,000,000.*

*In this instance my agent advised that if I was the sole-owner then liability for this airplane could be added for no charge to my existing policy, since I couldn't possibly fly more than one airplane at a time. That made sense! She added that, if the aircraft was owned solely by my partner this would continue to be the situation for him. But, she continued, the confounding factor was that I shared ownership of the new aircraft with another person, so they would require a new additional policy for \$ 534 covering liability only.*

*But I argue, this co-owner also has an aircraft insured by you, and at any given time there will only be two airplanes in the air. "No" she counters, "you could lend one out and there could be three in the air at any one time."? By going here she introduces an element of mistrust accusing me of possibly allowing a non-existent third pilot into the scenario. But, like most of us, I don't violate the wording of my policy, I don't lend my airplane out to anyone, and neither does my partner (again, who is also already their insured). She refused to accept that argument. Naively I still couldn't see logic or justification in her reasoning, but this is where it ends.*

The important message learned here is; the text can be confusing, the interpretations may vary, and they can even be contradictory. This experience launched me to my next exercise;

With a complete print out of my existing policy I carefully went through it with two different colored hi-liters. Red, was used to identify each item that I was insured for, Blue for each item that was excluded. It turned into an interesting experience and one I recommend. One good thing is, in most cases, user friendly language is used. On the down side, many topics are repeated in different sections, so a lot of cross-referencing is required. Most of my policy was 'Blue'. A few of the exclusions specified, although unlikely, seemed remotely possible, and for these I now had to evaluate how important they were to my situation.

I found a lot of things in 'Red', that they still insured me for seemed extremely unlikely. Some of it is so unlikely its inclusion appears to be 'window-dressing', (IE such as their list of "Insured Pilots" states they will insure while my aircraft is being operated by a Transport Canada test pilot....". those statements kind of leave me speechless.)

So, what can I conclude.

Firstly, be honest of course, and realistic. Have an inventory of your flight hours and provide it. Know what you must have, and know how much risk you are willing to assume.

It seems that both agents and insurance companies come and go, and so do their market incentives change over time so check several sources.

Premiums for hull insurance tend to decrease with aircraft value, but be careful about insuring your aircraft for less than you will part with it for. In an accident they will only pay that value (less the specified deductible). And, in most cases, they then own the

wreckage, including all equipment attached to the aircraft at the time of the accident. If you have a loss be honest, don't try stripping the aircraft or swapping parts. We have all seen or heard of this. I'm sure the insurer recognizes these little games and you gain nothing.

Despite my best intentions and personal efforts it is possible that an accident could occur, but if I have been honest and realistic, and continue to be so it should work out. Oh yes, it doesn't hurt to have pursued the details ahead of time.

Some final thoughts;

-Increasingly regulators (Government), are trying to reduce their own liability by demanding high levels of insurance be purchased, often naming the Government themselves as the insured. The real need for this can be pretty evasive, but the insurance companies can be counted on to create coverage for any risk the regulator dreams up. This combination is not all together healthy.

-Mistrust between insurers and insured is almost a stereotype. This isn't all together healthy either.

-I sense insurance agents get very touchy about clients looking elsewhere for insurance or having concurrent policies on different aircraft with different companies.

-Should I need more information, or encounter problems with my insurer I can go to the Superintendent of Insurance here in my Province, or to the Canadian Council of Insurance Regulators or the Canadian Insurance Services Regulatory Organization. A good review of the Canadian insurance situation (*Regulation of the P&C Insurance Industry and Claims Handling in Canada by Nigel P. Kent*) is available online at <http://www.cwilson.com> (who are lawyers).

J George Balmer