

# Understanding your Aircraft Insurance Policy

Most private aircraft policies written in Canada today follow a similar format where they make a fairly broad sweeping statement of what is covered, add some frill coverages and then use the rest of the policy to list a series of conditions and exclusions to those coverages. What you end up with is a policy which covers all risks, SUBJECT to the conditions of the policy and EXCEPT for what is specifically excluded.

Therefore, it is just as important to understand these conditions and exclusions as it is to know what is included.

This would be simple to achieve if all policies were nicely organized and laid out under the same headings. But the reality is that conditions and exclusions may be dispersed throughout the policy and even disguised as definitions. In general, they may not be easy to find.

Following are some of the more common ones that appear in most private aircraft policies. This is not an exhaustive list nor is it exactly how it may be worded in your own policy, but likely they exist in some format or another:

**Time-life Components:** The Insurance Company is only obligated to pay the prorated amount of the unused time on your engine, prop or any other time-life components on the aircraft following an accident. For example, at the time of an accident you had 1500 hours on the engine and as a result of the damage, the engine needs to be replaced. Your Insurance Company will only pay for 25% of the new engine (assuming the TBO is 2000 hours);

**Overweight:** A claim can be denied if an aircraft is overweight or outside of its permissible centre of gravity per the Pilot Operating Handbook at the time of the accident;

**Wear & Tear:** Any loss caused by wear and tear, deterioration, or mechanical failure is not normally covered under an aircraft policy. However, if it results in an accident, the resulting damage would normally be covered;

**Pilot:** There is no accidental death or dismemberment coverage or life insurance available to the pilot under an aircraft policy. Some of the broader policies may include some immediate medical expenses for the pilot;

**Aircraft Configuration:** Coverage could be denied if the aircraft's undercarriage configuration is different than originally quoted or indicated on the policy. For example, your original application declared that your aircraft was operating on wheels, but three months into the policy you install floats. If you forget to advise the Insurance Company, you may not have coverage if your aircraft has an accident on floats;

**Passenger Baggage:** Most policies will cover loss or damage of passenger baggage, however this would exclude items such as money, securities, commercial paper, jewellery, precious stones and other articles of extraordinary value that may have been damaged or lost as a result of an aircraft accident;

**Intentional Damage or Illegal Use:** Obviously there is no coverage for bodily injury or property damage that is caused by you intentionally or if you were using the aircraft for any illegal activities at the time of the loss;

**Noise and Pollution:** Loss due to Noise and/or Pollution is excluded unless it is as a result of an accident covered under the policy. So make sure your aircraft isn't leaking any fluids onto the ground that may cause environmental remediation (although it would have to be a large quantity or happening over a long period of time);

**War, Seizure or Hijacking:** This common exclusion can vary depending on the insurance company. But what you want to watch out for is that your policy doesn't have one of the more restrictive exclusions which do not cover malicious acts and/or vandalism;

**Invalid Certificate of Airworthiness:** If the aircraft is involved in an accident and at the time of the accident the Certificate of Airworthiness was invalid, coverage can be denied. Many things can invalidate your Certificate of Airworthiness, ranging from not properly filling out the journey log, to being over weight, to flying after the annual inspection is due.

**Unapproved or Unqualified Pilots:** One of the more common reasons that a claim gets denied is that at the time of the accident it was being operated by an unapproved or unqualified pilot. Aircraft insurance is not like car insurance. Most policies require that pilots be approved by the Insurance Company. In addition, your policy will likely have a condition and exclusion around an approved pilot having the appropriate license, permit or rating for the type of aircraft as well as holding a valid medical. This becomes a very important consideration if you let others fly your aircraft or if you have partners in the aircraft. You could be sitting at home watching "Ice Pilots" on the television when your partner has an accident with the aircraft and coverage is denied because he forgot to renew his medical. In order to make this a bit easier to manage, the COPA VIP Insurance program recently introduced an Open Pilot Clause (with some minimum conditions) for those occasions where you need to have your aircraft ferried or flown by a pilot at the last minute;

**Financial Loss:** Most private policies will exclude any coverage for financial loss brought about as a result of being unable to use your aircraft following an accident. But there are a couple of neat policies available to private aircraft owners (including COPA's VIP Policy) which do have some coverage for trip interruption or the extra expense for renting a substitute aircraft. For example, if you have a prop strike 200 miles from home, wouldn't it be nice to know that your policy will pay for you to get home?

**Employees:** Most aircraft owners don't realize that bodily injury to employees if injured in the course of their employment is normally excluded from a private aircraft policy. It is not uncommon for an aircraft to be registered to the owner's business. If one of your employees joins you on a business trip and is injured as a result of an accident in the aircraft, the liability coverage may not respond under your policy. The reason for this is because in Canada there is an expectation that employers purchase Workers Compensation for their employees. However Workers Compensation doesn't always apply and may not be purchased by your company depending on the type of business or province or territory. If you use your aircraft for business take the extra time to request

some contingent coverage in event Workers Compensation does not respond to a loss (this is automatically included as part of the COPA VIP Insurance Program);

**Contracts:** Accepting liability of a third party or waiving the Insurance Company's right to subrogate against a third party without permission from your Insurance Company can void your insurance. Make sure you send any contracts you are asked to sign with respect to your aircraft or aircraft hangar to your Insurance Broker for review. The most common example of this would be an airport or hangar lease;

**Territory Exclusions:** Most private policies do not provide worldwide coverage. Be sure to review the covered territory before you plan your trip to Alaska, the Caribbean or Central America. Whereas Continental US, Canada and Mexico are standard in most policies, only a few policies, including COPA's VIP Insurance, also include the Caribbean and Alaska;

**Aircraft Use:** Take a few minutes to review the definition of 'Use' in your policy. Typically most private policies will define private use versus commercial use in the definition section of your policy and then exclude any commercial use. Be wary of policies that use the definition of "Private" Use to dictate what is covered or excluded. For example, your policy may exclude one or more of the following activities under the definition of "Private" Use:

- rental of aircraft;
- aerobatics and formation flying;
- hunting;
- powerline and pipeline patrol;
- fire-fighting;
- intentional dropping, spraying or releasing of anything from the aircraft (i.e., watch out for this if you are participating in a flour bombing event);
- experimental flying or competitive flying;
- any flying in connection with an air show, competition, flying exhibition, or air display;

Note: None of the above are specifically excluded from the COPA VIP Policy unless they are commercial in nature (see our policy definition for more information).

**Date Recognition Exclusion:** many policies excluded losses just prior to Y2K in fear of what the "00" date might do to computers and other technologies. Since then, only a few policies have reversed this exclusion. Aircraft owners with newer technologies should be aware of this potential exclusion and ask to have it put back in or choose a different carrier (i.e., COPA VIP).

In addition to these exclusions explained above, you still need to pay attention to the additional frill coverages each policy has to offer. Some are low risk "throw-ins", but most are worth the extra few dollars if you do find yourself in an aircraft accident. Insurance rates on aircraft are at an all time low, so it is an excellent time to consider spending a little bit more for these extra coverages or for increasing the liability limits you currently carry on your passengers.

Private pilots in North America enjoy one of the most generous insurance coverage offerings in the world. In the last two decades, Canadian Insurance Companies have spent a lot of resources developing policies to meet the best interests of their customers.

However, exclusions, conditions and specific definitions do exist and if you don't have the time or inclination to read your policy, then please discuss them with your broker and make an informed decision when purchasing your next insurance policy.

If you would like more information on these exclusions or have any other coverage related questions, please contact COPA's VIP Insurance Broker and trusted Partner, The Magnes Group Inc at 1-855-VIP-COPA (847-2672) or [VIPCOPA@magnesaviation.com](mailto:VIPCOPA@magnesaviation.com).

The Magnes Group Inc. is one of the largest Canadian Aviation Insurance Brokerages and proud to be the program administrator of COPA's aircraft hull and liability program.