

Pathfinder Insurance for Robinson Helicopters

How Does it Compare with Traditional Placements?

By Jeff Rhodes

Robinson Helicopter has become the leading manufacturer of civil helicopters in the world. Robinson produces more than 800 helicopters per year surpassing US manufacturers Bell and Sikorsky by a large margin. The Robinson R-44 Raven, in all its variants, is the best selling aircraft of any kind in the world. There are more R-44s delivered than any model Cessna, Cirrus, or Boeing. Certainly, Robinson Helicopter produces a fine machine that is very much in demand by the flying consumer.

Early in Robinson's history, however, the picture was not as rosy. After the introduction of the R-22, the little helicopter began to develop a bad reputation. Accidents began to pile up. Training accidents were common and the accident statistics for both low time and high time helicopter pilots flying Robinson helicopters were alarming. Insurance companies quickly began to tighten underwriting standards and increase premiums dramatically. Most underwriters stopped writing policies for Robinsons altogether.

Robinson Helicopter realized that if their product was perceived to be 1) unsafe, and 2) uninsurable, the product and the company would quickly wither on the vine. Robinson made type-specific factory training a priority in order to improve the accident rate. Flight instructors teaching in Robinson equipment were required to attend the Robinson safety course. Robinson then addressed the insurance issue by setting up a captive, or "in house" insurance company to exclusively provide coverage for owners and operators of Robinson helicopters. This captive insurance arrangement became known as Pathfinder and its purpose was to provide some insurance protection for Robinson helicopter buyers.

The insurance picture is not as grim today as it once was for Robinson. Robinson's success at improving safety through training has encouraged several domestic insurers to offer coverage to Robinson operators. These domestic companies quote and bind coverage through the normal network of independent aviation insurance brokers as they do for most civil aircraft insurance in the US. The Pathfinder program is still in existence as the factory endorsed (and subsidized) insurance provider to Robinson's customers. While the Pathfinder program offers significant premium advantages over typical broker/agent placed policies, there are MAJOR differences when it comes to the protection afforded by these coverages.

The following is an analysis comparing a Pathfinder policy we reviewed with the policies available through the traditional insurance carriers. At the time of this writing, the following traditional carriers offer quotes, subject to underwriting conditions, for Robinson R-22 and R-44 helicopters: AIG,

Aerospace Insurance Managers, US Specialty Insurance Company, and London Aviation Underwriters. Several other companies may also offer coverage for certain situations where a Robinson helicopter is involved, but typically the companies listed above are the major players for a pleasure, business, flight instruction, or commercial / utility use of Robinsons. Each company has its own underwriting criteria for acceptance or rejection of a risk and its own criteria for setting premium levels. Their policies and premiums are similar enough that we can lump these traditional companies together when comparing them to Pathfinder.

Pathfinder writes on non-admitted paper as a surplus lines carrier freeing them from some of the state regulation that applies to admitted, domestic companies. Pathfinder is located in Freeport, Bahamas and can be contacted only by email or fax. There seem to be no published telephone numbers.

Pathfinder offers fairly limited coverage for significantly lower premium than do US based insurance companies. While a traditional domestic company might quote a 5-7% hull rate on a non-commercially operated \$350,000 R-44, Pathfinder might quote a 2-3% hull rate.

Overall, Pathfinder premiums look to be consistently less than the premium that aviation agents can obtain from a domestic carrier with “comparable” coverage. I use “quotes” because the coverage really isn’t comparable. Domestic carriers generally quote hull coverages on an agreed value basis with \$1,000 not-in-motion / 10% of hull value in-motion deductibles. Liability limits are generally \$1,000,000 for bodily injury and property damage with PASSENGER bodily injury LIMITED to \$100,000 each passenger. These coverages we’ve seen quoted for around \$20,000 to \$25,000 total annual premium. Premium for the same helicopter on a Pathfinder policy appears to run around \$10,000 - \$12,000. As the clichés go, “the devil is in the details” and “you may get what you pay for”. We will now explore some of the real limitations of the Pathfinder policy.

Insurance Terminology 101

Before we delve too deeply into policy “technicals”, let’s review a few key insurance terms. These are definitions for discussion purposes. Insurance companies specifically define these terms within their policies and their definitions most assuredly differ from mine to some degree.

Bodily Injury

when someone else is hurt or killed because of your negligence.

Property Damage

when someone's property is damaged because of your negligence.

Liability (coverage)

Insurance protection for you when your negligence results in Bodily Injury or Property Damage to others.

Physical Damage

Hull damage. Damage to the aircraft being insured.

Insured

A person or organization being afforded protection by an insurance policy. A policy may have many "insureds." The Named Insured is typically the party that bought the policy. Other insureds may be automatically included as insureds by virtue of the policy wording or an "Omnibus Clause" or may be specifically and purposefully added by name.

Occurrence

A sudden and unexpected event that triggers coverage.

Limit

The maximum amount of coverage available from a policy. The most that the company is obligated to pay following an occurrence.

Liability Coverage

Pathfinder writes liability limits of \$1,000,000 Per Occurrence LIMITED to \$100,000 Bodily Injury per person and \$100,000 Property Damage per occurrence. Note, that all Bodily Injury and all Property Damage is limited to \$100,000 each person or each occurrence. In other words, in order to collect the full \$1,000,000 limit, 10 people would have to be injured, all collecting the maximum payout. Most traditional domestic companies limit only Passenger Bodily Injury to \$100,000. Bodily Injury to persons outside the aircraft and property damage is limited only by the overall limit of \$1,000,000.

Pathfinder's limit of liability is reduced by expenses paid for legal defense for any insured. Most traditional domestic companies pay expenses and legal fees outside the limit of liability. This is a significant difference. It is not difficult to imagine the amount of legal expenses following an aircraft

accident where people have been killed or seriously injured. If the liability coverage is consumed by legal expenses, there may be nothing left to pay the judgment.

Under the Pathfinder program, Robinson Helicopter (at their request) is an additional insured and limits are shared with them. If any insured requests a separate defense, one half of the overall limit is allocated to Robinson Helicopter. This is another significant issue and worth an example to illustrate the point. – Following an accident, if Robinson is named in the suit alleging that some sort of manufacturer negligence contributed to the loss, which is quite typical in aircraft accidents, Pathfinder sets aside up to half of the liability coverage to defend and pay on behalf of Robinson – not you, the policy holder. Essentially, Pathfinder policy holders are buying products liability coverage for the aircraft manufacturer.

All of these issues may leave the Pathfinder policy holder with little meaningful liability coverage at all. In a worst-case scenario where a person is seriously injured or killed in an accident, the most coverage available to pay for an injured person is \$100,000. Legal expenses are then subtracted and \$50,000 may be allotted to Robinson Helicopter, should they be named in a suit.

Furthermore, with Pathfinder, there is no coverage for Bodily Injury to any “Insured.” (Note, Pathfinder’s definition of Insured includes approved pilots as insureds automatically. Therefore, there is no coverage for Bodily Injury to any pilot – even a third party pilot.)

There is no Omnibus Clause. Other than pilots, all other insureds must be specifically endorsed to the policy. There is no automatic protection for parent and subsidiary companies, principals, partners, employees, stockholders, etc.

For example, if the helicopter is owned and insured by your company or a shell corporation, there is no coverage for YOU, the company’s owner, unless you have been specifically added as an additional insured – for which additional premium may be charged. Many traditional domestic companies have some sort of omnibus clause providing automatic protection to parent and subsidiary companies, principals, partners, employees, stockholders, etc.

Hull Coverage

Most traditional domestic insurers write aircraft physical damage coverage (hull coverage) on an agreed value basis. In other words, the insurer and the policy holder agree on a value for the aircraft. That value

is the basis for computing hull premium and is the amount that the policy holder will be paid in the event of a total or constructive total loss. Pathfinder also uses an agreed value to compute the premium. However, in Pathfinder's policy, the aircraft value stated in the policy is a maximum value for hull coverage. Actual coverage in the event of a total loss is Actual Cash Value (ACV) at the date of the loss calculated by reducing the maximum aircraft value by \$85 per hour of service since delivery from the factory (or factory overhaul).

With a traditional insurance company, the policy holder can lower the agreed aircraft value as years go by and as the aircraft value depreciates. By doing this, the premium paid will also drop with the insured value. Pathfinder continues to charge premium on the original value but the coverage declines with every hour that the aircraft accumulates.

In the event of a partial loss, Pathfinder requires all repairs to the aircraft be performed by the manufacturer. Claims are null and void if any repairs are made by any company other than the manufacturer without prior written authorization. The policy that I reviewed had an all loss deductible of approximately 10%. That's \$35,000 on a \$350,000 aircraft. The deductible is doubled if any repairs are performed by anyone other than Robinson, presumably even if the required authorization is obtained.

Furthermore, the Insured must bear the cost and responsibility for aircraft recovery and transportation to the Robinson facility in Torrance, California for repair. This cost is not reimbursable under the hull coverage nor does it apply toward any deductible. Traditional domestic insurers provide coverage for aircraft recovery from the accident site and transportation to the repair facility. Imagine the cost that could be involved with recovering a broken helicopter from a remote location and transporting it to California. With Pathfinder, there is NO COVERAGE for this expense.

As you can see, even a quick comparison of the coverage uncovers some real differences between the Pathfinder policy and the type of coverage available from an aviation insurance specialist through a domestic market. There is no question; if price is the only consideration when buying insurance, you may be short-changing yourself when it comes to protection – which is the real purpose of insurance in the first place. Coverage for Robinson helicopters is very much available. The premiums are higher but the coverage afforded by these domestic markets is head and shoulders above Pathfinder's product. Make sure that there is VALUE in your insurance buying decisions, not simply the lowest price. →