

Pathfinder Insurance for Robinson Helicopters

How Does It Compare to Traditional Placements?

By Jeff Rhodes

Robinson Helicopter Co. has become the leading manufacturer of civil helicopters in the world.

Robinson produces more than 800 helicopters per year, surpassing U.S. manufacturers Bell and Sikorsky by a large margin. The Robinson R44 Raven, in all its variants, is the best-selling aircraft – of any kind – in the world. There are more R44s 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 on in Robinson's history, however, the picture was not as rosy. After Robinson introduced the R22, the little helicopter began to develop a bad reputation. Accidents started 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 up underwriting standards and increase premiums dramatically. Most underwriters stopped writing policies for Robinsons altogether.

Robinson Helicopter realized that if its 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.

Today, the insurance picture is not as grim as it once was for Robinson. Robinson's success at improving safety through training has allowed 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, typical of most civil aircraft insurance in the United States. 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 the Pathfinder policy with the policies available through the traditional insurance carriers. At the time of this writing, these traditional carriers offer quotes, subject to underwriting conditions, for Robinson R22 and R44 helicopters: AIG, Aerospace Insurance Managers Inc., and U.S. Specialty Insurance Co. 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 private-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, however, that we can lump these traditional companies together when comparing them to Pathfinder.

Pathfinder writes on nonadmitted paper as a surplus lines carrier, freeing it from some of the state regulation that applies to admitted, domestic companies. Pathfinder is located in Freeport, Bahamas, and can be contacted only by mail (P.O. Box F-42544, Chancery Court, Freeport, Bahamas), e-mail (pathfinder@batelnet.bs), or fax (242.352.3932). A notification sent with its policies advises those wishing to communicate by regular mail that delivery to the Bahamas from the United States “normally takes two to three weeks but frequently takes longer and occasionally takes over a month.” There seems to be no published telephone numbers.

Pathfinder offers fairly limited coverage for a significantly lower premium than U.S.-based insurance companies do. While a traditional domestic company might quote a 4 to 6 percent hull rate on a noncommercially operated \$350,000 R44, Pathfinder might quote a 2 to 3 percent hull rate.

Overall, Pathfinder premiums look to be consistently less than half the premium aviation agents can obtain from a domestic carrier with “comparable” coverage. I use quotes because the coverage really is not comparable. But, as the clichés go, the devil is in the details and you may get what you pay for. Domestic carriers generally quote hull coverages on an agreed value basis with \$1,000 not-in-motion/10 percent of hull value in-motion deductibles. Liability limits are generally \$1 million bodily injury and property damage with passenger bodily injury limited to \$100,000 each passenger. As you read on, we will explore some of the real limitations of the Pathfinder policy.

Insurance Terminology 101

Before we delve too deeply into policy “technical,” let us review a few key insurance terms. These are my 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.

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 million 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 million 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 are limited only by the overall limit of \$1 million.

Pathfinder’s limit of liability is reduced by expenses paid for the 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 the legal expense following an aircraft accident in which 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 its request) is an additional insured and limits are shared with it. 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 policyholder. Essentially, Pathfinder policyholders are buying products liability coverage for the aircraft manufacturer.

All of these issues may leave the Pathfinder policyholder 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. From that amount, legal expenses are subtracted, including \$50,000 that 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 holding company, 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. Most 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 policyholder agree on a value for the aircraft. That value is the basis for computing hull premium and is the amount the policyholder 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 \$88 per hour of service since delivery from the factory (or factory overhaul).

With a traditional market the policyholder 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 a premium based 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 to 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 percent. That's \$40,000 on a \$400,000 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, Calif., 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 reveals some real coverage differences between the Pathfinder policy and the type of coverage available from a professional, aviation insurance specialist agent 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 there is value in your insurance buying decisions, not simply the lowest price.

Use Caution When Naming Additional Insured

By Jeff Rhodes

It is not unusual for individuals and organizations that support or are otherwise associated with the operation of aircraft to be protected by the insurance policies of aircraft owners or operators.

Organizations that are landlords in a hangar lease arrangement, individuals providing pilot services or flight-training services to an aircraft owner, and airport authorities commonly request to be protected as “Additional Insureds” with respect to the operation of an aircraft by a policyholder.

The insurance theory here is the third party has little, if any, direct control of the operation or use of the aircraft. However, in our current litigious society, this loose relationship between third party and aircraft operator may be enough to draw the third party into a liability suit, should there be an accident or incident involving the aircraft. The insurer will extend the policy to defend and protect the related third party with respect to their limited involvement in the operation of the aircraft.

If you are one of those third parties – a hangar owner, a flight instructor, an airport manager, or one of many other things – your reliance on an aircraft owner’s insurance for your own liability protection is, at best, only as good as the aircraft owner’s protection – and probably far less.

In the case where a Robinson helicopter is insured through Pathfinder Indemnity, consider the liability protection a third party “additional insured” is afforded. First, the overall limit is usually \$1 million. In many cases, this meets the contractual minimum liability requirements to which an aircraft owner and third party might agree. However, Pathfinder’s policy limits this \$1 million to a maximum payout to any one claimant of \$100,000. As an additional insured, you are sharing this \$100,000 limit with the policyholder – allocated as your respective liability is assigned. According to the policy language, you may also be sharing the limit with the aircraft manufacturer, should they be named in a suit following an incident. Furthermore, unlike most traditional domestic aviation insurance policies, legal fees are deducted from the available liability limit. All this leaves an additional insured, holding a certificate showing \$1 million in liability coverage, with far less protection when the lawsuits start to fly.

If you have some involvement with any aircraft operators that are extending their liability coverage to protect you from their negligence, make sure their protection adequately covers your exposure. A Certificate of Insurance is really just a one-page summary of the terms of a 35-page insurance contract and may not sufficiently explain all of the nuances of the policy’s terms and conditions. You should review your aviation contracts with your insurance agent and/or an aviation attorney to determine that the liability requirements are appropriate and the wording is correct. Ultimately, the responsibility is yours to reject any extended liability protection that does not meet your standards and does not adequately protect your interests.