

## *P&C Coverages*

### *For Helicopter Operators*

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To a great extent, commercial general aviation businesses go under-advised about their insurance portfolios. The average business, the small to medium sized retail store, the service organization, the contracting business, etc. have insurance packages available that include many of the various coverages in today's insurance market place. These "business owner's packages" (BOPs)" make insurance portfolio planning somewhat idiot proof. For larger more complex insurance risks and for specialty businesses such as aviation, no "ready made" package of insurance coverage exists. An individual agent or group of agents and technicians must design a portfolio of insurance products in order to provide these businesses a complete insurance portfolio.

These risks require a bit of imagination, a great understanding of the insurance industry, and knowledge of their specific business. The insurance industry is ill equipped to handle specialty businesses like a general aviation service operation. Fixed Base Operations, helicopter maintenance facilities, parts dealers, aircraft and helicopter sales operations, and accessory businesses (to name just a few) all require a full portfolio of insurance products. Workers compensation, automobile insurance, property insurance, director's and officer's liability, transit cargo, general liability coverage, pollution liability, employment practices liability, aircraft hull and liability, etc. are needed by helicopter operators and aviation support businesses. Any exposure that a normal business has should also be considered a threat to an aviation related business and more... much more.

I started this short article by saying, "commercial aviation businesses go under-advised about their insurance portfolios". This is because the average aviation insurance agent or broker has a highly specialized insurance knowledge involving just aviation related coverage. Rotorcraft (aircraft) hull and liability policies, general liability (airport liability policies), hangar keeper's legal liability, and products liability are the aviation insurance specialist's primary product line. In turn, the general property and casualty agent has a good knowledge of the general insurance products, but little knowledge of the aviation insurance products.

Well, I think you get the point. The primary agent for the aviation service industry is the aviation insurance specialist. Usually, the aviation insurance specialist has limited skill with the broader coverage packages. The generalist dares not tread too deeply into the aviation world because he has little or no understanding of the vocabulary of aviation or the insurance products and services sold to the aviation client.

It was once said, "It takes a village". (Wow, I never thought I would use that phrase.) Taking that statement out of context, it is true in dealing with the insurance portfolios of those businesses involved in the support of the general aviation community. If not a village, certainly a team of insurance specialists that can bring together the variety of insurance knowledge and the understanding of the aviation industry necessary to provide the helicopter operation with a complete spectrum of insurance coverage and services necessary to survive in today's litigious society. Combining the knowledge of specialists

in aviation insurance, property and casualty insurance, and employee benefits is what sets CS&A Aviation Insurance above its competition. By investing in a team of insurance specialists, Chappell, Smith & Associates, Inc. insurance agency (CS&A Aviation Insurance) is unique in its ability to serve the variety of insurance needs of its aviation clients.

Coverages not offered by aviation underwriters are varied and numerous, but each may have a place in the aviation business' insurance portfolio. Such coverages as:

### **Employment Practices Liability Insurance (EPLI)**

This is a coverage that has become a must for businesses of any size. If you have employees, you are subject to a lawsuit brought by current or past employees alleging discrimination or harassment because of age, sex, race, disability, wrongful termination, hostile work environment or retaliation. EPLI will pay to defend your company and its managers and stockholders against such suits and if found negligent, indemnify on your behalf up to the limits of the policy limits. Did you know that 75% of all law suits against businesses are employee related? Many of these suits are brought against companies with fewer than 100 employees. In many cases, defense costs greatly exceed the judgment.

### **Directors and Officers Liability Insurance (D&O)**

This coverage is usually sold in conjunction with Employment Practices Liability Insurance. A significant percentage of all D&O claims emanate from disgruntled employee suits.

D&O coverage is designed to pay on behalf of the officers and directors of a corporation any defense costs necessary for law suits brought against the management of a company alleging errors in the performance of their duties as directors and officers. In addition to defense costs, D&O liability will pay on behalf of its management judgments (not to exceed the limits of the policy) rendered against the corporation's directors and officers due to their negligence in the performance of their management duties.

### **Environmental Insurance**

Environmental Insurance could be called pollution liability insurance. This coverage is specifically excluded under most general liability policy forms including airport liability policies. Environmental Insurance can be written under a separate policy. A disastrous situation such as a fuel spill could make you appreciate environmental insurance.

### **Property**

Property Insurance is designed to reimburse the named insured for loss of covered property as a result of an insured peril. Property is insured either on an "all risk" policy form or on a "named peril" form. (Please note that "all risk" does not mean that everything is covered. "All risk" means direct physical loss or damage to property is covered except as excluded by policy terms and conditions. Property policies typically include such perils as fire, windstorm, etc. Most financial institutions will not loan money for the purchase of real property whether a construction loan or permanent financing

without it being insured to value. As a result, property insurance is one of the most common policy types.

### **Earthquake**

Earthquake is not typically included as a peril in a property insurance policy form. Damage to buildings can be insured, however, by writing a separate Earthquake policy or by issuing an endorsement under certain inland marine policy forms.

### **Flood Insurance**

Flood Insurance is not typically included as a peril in a property insurance form. A separate flood policy can be written either under the federally subsidized flood program or as an endorsement to an inland marine policy form. There are always exceptions. Although not generally included in a property form of coverage, some property policies can be endorsed for flood coverage if found acceptable by the underwriter.

### **Inland Marine**

Inland Marine policy forms can do everything a property policy form can do and more. Once called a manufacturers output policy form, this very broad and versatile insurance policy could be modified to include property insurance, business personal property (contents), transit cargo coverage, employee dishonesty, flood and quake, property of others, etc.

### **Transit Cargo Coverage**

This type of insurance is quite important to those operators who maintain their own maintenance facilities either as an FBO or for a managed fleet. When engines or other parts are shipped for repair or purchased from the manufacturer, someone must be responsible should the part be lost or damaged in shipment. The shipper (common carrier) usually limits its exposure to a small amount per pound of the shipment. This would usually amount to a fraction of the loss. Transit cargo coverage offers protection for such a loss to the full value of the shipment (or to the policy limit).

### **Employee Dishonesty**

Employee dishonesty insurance protects the insured for property that might be stolen or embezzled by an employee or group of employees. This is a very difficult claim to collect because each incidence of theft must be proven. The employer must be willing to prosecute and assist the insurance company in its efforts to convict the guilty employees. Only those amounts proven to have been stolen will be reimbursed.

### **Commercial Automobile Insurance**

Commercial automobile insurance can vary greatly in policy form and breadth of coverage. The policy offers auto physical damage and automobile liability coverage. Other coverage can be added such as drive other car, hired automobile physical damage, and hired and non-owned liability.

### **Hired Automobile Physical Damage**

This provides coverage for a non-owned auto you borrow or rent subject to the deductible. This coverage is designed to pay for automobiles damaged while in your care, custody, and control for a comprehensive or collision loss.

### **Hired and Non-Owned Automobile Liability**

This coverage provides defense and indemnification for loss resulting from a company's negligent operation of a borrowed or rented automobile for which you are legally liable. If an employee of your company injures someone or someone's property in the course of his or her employment while driving a vehicle not owned by the company, your company is protected if action is brought against the company. Such a loss could be the result of the negligent operation of the employee's own automobile while on company business. This coverage is designed for the protection of the company, not the employee. The employee's own insurance is primary for the employee.

### **Commercial Umbrella**

A commercial umbrella can provide excess liability offering protection in addition to primary limits of liability. This coverage usually excludes aviation exposures such as aircraft liability or airport general liability. It would apply to standard coverages such as commercial automobile liability and employer's liability.

### **Workers Compensation**

Workers compensation and employers liability insurance is a requirement of most states. Workers compensation provides certain benefits as specified by each respective state for an employee that is injured or is killed in the course of his or her employment. The employer's liability section protects the employer should an injured employee bring lawsuit against his employer.

### **Foreign Voluntary Compensation**

Foreign voluntary compensation can be endorsed to many workers compensation policies extending the benefits of the worker's state of domicile to injuries the worker may suffer while traveling outside the country in the course of his employment. (This endorsement may not be available on a policy placed with the state assigned risk program or on policies issued through a monopolistic state pool.)

### **All States Endorsement**

An all states endorsement can be endorsed on to many workers compensation policies extending the benefits of the employee's home state to injuries suffered while traveling in other states. (This endorsement may not be available on a policy placed with the state assigned risk program or on policies issued through a monopolistic state pool.)

### **Customs Bond**

Customs bonds are a requirement of the U.S. Customs Department to enter the U.S. on a charter flight. This compliance bond guarantees that the charter operator will pay all import taxes charged up to the limit of the bond.

### **Performance Bond**

A performance bond guarantees that the bond holder will comply with the requirements of a contract.

### **General Liability (Airport Liability)**

The Airport Liability policy is a commercial general liability policy form designed for the commercial aviation business. It can include not only premises liability covering such expected losses as the slip and fall but other significant exposures can be included as well. Products liability and completed operations, contractual liability, independent contractors, host liquor legal liability, incidental medical malpractice, personal injury (liable, slander, false arrest, wrongful eviction, etc.), grounding, and a host of other coverages can be endorsed to this policy form.

Well, you get the point. There are literally dozens of various insurance coverages that could be discussed here. Such a shotgun approach does you no good, however.

My point is not to confuse you with a hodgepodge of insurance terms and definitions. I would rather show you that your business has many of the same insurance and risk management needs as any other business. Just because we are in aviation related businesses does not mean we are exempt from real world threats. Like any other industry, aviation business owners need to take time to discuss their various exposures with an insurance professional who is qualified in aviation insurance and has qualified team professionals capable of discussing insurance solutions tailored to your business.