

## *Territorial Limitations Revisited*

*By Thomas H. Chappell*

In 2004, I published an article dealing with a clause found in every aviation aircraft hull and liability policy that defines the geographic area that the policy covers. The article cautioned each policyholder to fully understand their policy's territorial limitations. It pointed out the subtleties in defining different areas of the world. For example, are the Islands of the West Indies and the Caribbean Islands interchangeable terms?

Why would we rewrite an article? Five years ago when we discussed policy territorial limitations, we had eight full line general aviation insurance companies. Today that number has grown to 14. In addition, many policy series and policy forms have been changed. Some have been broadened and others have become more restrictive. With an industry that has almost doubled in size in the past four years and policies that are constantly changing, a quick review may be beneficial.

You will hear aircraft owners say, "All insurance policies are the same." In the attached policy excerpts, you will see how wrong that statement is. Knowing how many of you hate reading your policies, I have attached an easy reference guide containing exact policy wording by company and specific to the various policy forms each company issues. Some companies issue as many as three to four different insurance policy forms. If you own a corporate managed aircraft, you may have a broader policy form than a pleasure and business, owner flown aircraft policy. A charter aircraft may be issued on yet another form.

Some companies use a basic policy form for all aircraft and broaden it by endorsement when appropriate. This change endorsement simply expands the territory of operation shown in the basic policy. The moral of this statement is that you should not form an opinion of an insurance company when reading a basic policy form. When the basic policy is too restrictive, ask for an expansion endorsement to be attached. This statement, of course, assumes the underwriter is willing to modify his basic policy form. The underwriter's willingness to accommodate such a request depends upon the purpose of use, the pilot's skill and experience, the type of aircraft you are operating, and the overall market condition.

A territorial extension endorsement may have wording similar to the following taken from the U.S. Specialty Insurance Co. expansion form: "Where You Are Covered – You are also covered while your aircraft is within or enroute between the Additional Geographic Area, shown above, and the United States (excluding Alaska and Hawaii), Canada, and Mexico." Some companies more simply state – You are covered anywhere in the world.

Your insurance agent cannot read your mind nor can he anticipate your every travel need. It is your responsibility to discuss your usage and territory prior to binding coverage with any particular insurance company. Should an unexpected trip arise during the term of

your insurance policy, call your agent and request that the underwriter endorse your policy to accommodate your travels. Underwriters usually try to cooperate with the insured when possible, assuming the pilot is qualified to make the trip.

### **What about policy territorial limitations?**

There is no policy detail more important and more confusing than the territory of operation. I might also say there is no policy detail more poorly defined by the insurance industry than the territory of operation.

In an effort to simplify the questions surrounding territory definition, CS&A Aviation Insurance has compiled the following information. We compared actual copies of each insurance underwriting company's policy forms, reviewed standard policy expansion endorsements, and, in many cases, interviewed the respective underwriters seeking explanations of those areas we felt were ambiguous or poorly defined. The following information is offered only as a guide. We recommend that you review your own policy. If you find it confusing, call your agent for a specific explanation.

### **So, where am I covered?**

If you operate your aircraft only within the 48 contiguous states, you are covered by every basic policy issued by domestic aviation insurance underwriters. This is where the universal similarities end. However, if you are getting ready to hop into your aircraft and pilot yourself and your family on that long anticipated winter Caribbean trip, you should stop and read your aviation insurance policy carefully. If you have changed underwriting companies recently or have never paid attention to where you are covered, you may be surprised to discover that the territory your policy covers has changed or it differs from what you expected. Different underwriters provide different territorial coverages, and the designations they use for the same geographical location may vary among them. By examining each individual policy and the actual territories covered, you can obtain a better understanding of the geographical scope of your coverage.

### **The 48 continental United States and Mexico**

The normal aviation insurance policy applies within the 48 contiguous states and Mexico. There is always the exception. AXA Insurance Co.'s basic policy only includes the 48 contiguous states. If expanded coverage is needed, the AXA policy must be endorsed. (AXA has discontinued accepting new and renewal business.)

Although Mexico is included in most forms, there is one word of caution. When traveling to Mexico, the Mexican government does not recognize your policy issued by a U.S. aviation insurance underwriting company. (unless it's written in Spanish.) As a result, you must have in your possession proof of Mexican Liability insurance written in Spanish. Some U.S. underwriters purchase these certificates from a Mexican insurance company and include them with your U.S.-issued policy at no additional cost to you. Some underwriters will sell this certificate to you at a premium that will just cover their

cost. Others do not provide the service at all. Check with your agent if you are not sure about Mexican Liability coverage.

### **Canada**

If you are planning a trip to Canada, your policy's coverage territory should be examined a little more closely. Most underwriters give blanket territorial coverage for Canada. Again, we have exceptions. London Aviation Underwriters allows Canadian coverage but with restrictions. Those are shown below in the Reference Section.

### **Alaska and Hawaii**

If you desire to travel further north to Alaska or west to Hawaii, you must not assume you have coverage just because these are a part of the United States. Some companies, including Phoenix Aviation Managers, W. Brown & Associates, and USAIG include Alaska and Hawaii in their basic policy forms, while others offer coverage only if your insurance is written on their broadest policies or by specific endorsement.

### **The Caribbean**

One of the most confusing territorial extensions is the Caribbean. This is a popular destination for many of our clients and deserves a detailed discussion. If traveling to the sunny Caribbean, the definition of policy coverage territory becomes confusing and poorly defined. Several underwriters extend coverage in the basic policy or through endorsement to include the "Caribbean" or "Islands of the Caribbean." The problem with the wording of such a coverage territory is that the geographic definitions in most policies are vague or nonexistent. In common usage, "Caribbean" is used to refer to a large geographic area or culture. The Caribbean area can be construed to be any geographic entity bordering on the Caribbean Sea. Does this include only the islands or are the coasts of Central and South America included as well? It is obvious that underwriters do not intend for the policy coverage territory to be so vague as to allow you to island hop your Baron all the way to Venezuela. By many textbook definitions, Venezuela and Colombia are in the Caribbean, although they are geographically part of South America.

A policy that lists a coverage area as the "Islands of the Caribbean" is more defined. Obviously, the underwriter in this instance intends for the coverage territory to include only those islands that border on or are in the Caribbean Sea. This coverage territorial definition, if taken literally, would exclude the Bahamas, which are technically in the Atlantic Ocean. As a result, if not included in the basic policy, the Bahamas must be specifically included by endorsement. Many underwriters such as USAIG and Starr Aviation Agency Inc. do include the Bahamas as a specific territory covered in their basic policy. Having said this, I must point out that coverage for the "Islands of the Caribbean" is still not specific enough. (I know I'm extremely picky). Technically, there are only a few islands, such as Jamaica and the Cayman Islands, which are totally surrounded by the Caribbean Sea. To state the territory of coverage as the "West Indies" is technically correct and more encompassing. I guess we are supposed to know what they mean.

### **The West Indies**

Although seldom referred to as a territory, the West Indies would be a correct and a very specific coverage definition. The West Indies are a 2,000-mile-long group of islands that extend from the southern tip of Florida to the northern coast of Venezuela. Technically, they separate the Atlantic Ocean from the Caribbean Sea. Except for the Bahamas, the Cayman Islands, Jamaica, and a few smaller islands, they have the Caribbean Sea on their west side and the Atlantic Ocean on their east side.

The West Indies are further separated into the Greater and Lesser Antilles. The Greater Antilles consist of Cuba, Hispaniola (Haiti/Dominican Republic), Jamaica, and Puerto Rico. The rest of the islands are considered the Lesser Antilles, from the Bahamas off the coast of Florida to Curacao north of Venezuela. The Lesser Antilles are further broken down into the Leeward and Windward Islands.

AIG LAD (Light Aircraft Division), Allianz, and USAIG specifically cover the “West Indies” in their basic policy forms. This is certainly more specific than just referencing the Caribbean. Some companies’ basic coverage includes the Bahamas Islands but not the West Indies. USAIG’s basic coverage includes Puerto Rico, since it is a Commonwealth of the United States.

Many underwriters freely extend their policy territory to include the Western Hemisphere. This territory expansion is very broad and, for most of general aviation, is far in excess of any desired destination.

### **Confused?**

If you are unclear as to the exact definition of the territory included in your policy, you should request confirmation of coverage to specific locations, especially if traveling to the Caribbean. This will ensure that there are no questions regarding coverage under the broad definition of “Caribbean” or “Caribbean Islands.”

### **Central and South America or Western Hemisphere**

For trips to Central America or South America, a territorial extension for the Western Hemisphere is usually requested. The textbook definition of “hemisphere” may differ from what the insurance underwriters designate as a hemisphere. Geographically and geometrically, passing a plane through the center of a sphere creates a hemisphere. A plane passing through the center of the earth and Prime Meridian (0 degrees longitude) at Greenwich, England, creates the Eastern and Western Hemispheres. Geographically, the Western Hemisphere covers an area from 0 degrees latitude to 180 degrees West, or the International Date Line. The Eastern Hemisphere is from 0 degrees to 180 degrees East.

When an underwriter includes a territorial extension for the Western Hemisphere without a definition, technically, he is including part of Europe in the territorial extension. Some large, well-known cities, such as London, Madrid, Spain, Dublin and Belfast, Ireland, as well as a large portion of western Africa, lie west of the Prime Meridian. As a result, the more astute underwriters who issue coverage for the Western Hemisphere usually outline what constitutes the area of coverage, and most do not consider Europe or western Africa to be in the Western Hemisphere.

As an example, USSIC expands coverage to the Western Hemisphere with the following wording: “Western Hemisphere means North America, Central America, South America, Hawaii, Bermuda, West Indies (Greater and Lesser Antilles), and all other islands and waters which are within 500 miles of the shore line thereof, and Greenland or while en route between these points, but excluding Cuba.” As you can see, this endorsement excludes coverage for Europe.

### **Worldwide**

Large flight departments dealing in industrial aid, airline, or charter traffic may be operating with worldwide coverage. This coverage is either requested by your agent prior to binding coverage, is added as an endorsement during the policy period, or was issued automatically as a part of a very broad policy form usually reserved for large corporate aircraft. It definitely makes more sense for a Gulfstream V to have worldwide coverage than a Cessna 182. Today, most worldwide coverage is offered without exclusion of territories.

### **Specifics**

One of the most interesting basic territorial coverages offered is that of USAIG. Their basic policy territory includes the United States, its territories and its possessions, Canada, Mexico, Bahamas and the islands of the West Indies, or while en route between these places. You could theoretically fly your aircraft from the west coast of California, to Hawaii, to Wake Island, to the Northern Marianas, and on to Guam on the other side of the International Date Line since you are covered for the United States, its territories, and its possessions.

### **Deductibles**

Be advised that some underwriting companies may increase physical damage (hull) deductibles for travel into certain countries. Check your policy or call your agent to confirm your deductibles.

### **Remember**

The most important points to remember from this geographical exercise are 1) read your policy and 2) understand its coverage territory. If your coverage includes “Caribbean” or “Islands of the Caribbean,” check with your agent to see if your coverage extends to the exact location to which you want to travel. If you are flying to Venezuela, Belize, or Honduras, don’t expect automatic coverage for an occurrence in any of those locations if your policy coverage territory simply says “Caribbean.” Get out your geography books and maps and contact your agent before that next trip.

### **Reference:**

The following information was taken from our specimen file copies of each insurance company’s insurance policy. Policy content varies depending upon the policy form and filing date. Please read your own policy to be certain that you have the correct territory description.

### **Aerospace Insurance Managers Inc.**

Aircraft Insurance Policy: When and Where the Policy Provides Coverage – This policy provides coverage during the policy period shown in Item 3 of the Coverage Identification Page while the aircraft is within the United States (excluding Alaska and Hawaii), Canada, Mexico, or while en route between these territories.

### **American International Group (AIG) (AIU) (Chartis)**

The LAD Policy Form (OLAD001) (1/00) – Policy Territory means within the political boundaries of the United States of America, Mexico, Central America, Canada, the Islands of the West Indies (excluding Cuba), and while enroute between places therein.

Policy Form CIAO3 (5/94) – Policy Period, Territory: All Coverages: This policy applies only to bodily injury or property damage which occurs, and to physical damage losses to the aircraft which are sustained during the policy period, while the aircraft is anywhere in the world.

### **Allianz Aviation Managers, LLC**

Aircraft Insurance Policy: Policy Form AGCS-AC-2001 (07/06): Policy Period, Territory – Under All Coverages – This policy applies only if the Bodily Injury, Property Damage or Physical Damage is/are caused by an occurrence while the aircraft is within the United States of America, its territories and possessions, Canada, Mexico, Central America, or the West Indies or enroute between points therein and providing the Bodily Injury, Property Damage or Physical Damage occurs during the policy period.

### **AXA Insurance Company**

Aircraft Insurance Policy – Policy Form – AIC200 – Policy Period and Territory – All Coverages – This policy applies only to bodily injury or property damage which occurs, and to physical damage losses to the aircraft which are sustained during the policy period, while the aircraft is within the United States of America.

Corporate Aircraft Insurance Policy – policy Form – AIC300 – Policy Territory – The insurance provided by the Policy shall be effective worldwide. Payment of loss under the Policy shall only be made in full compliance with all United States of America economic or trade sanction laws or regulations, including, but limited to, sanctions, laws and regulations administered and enforced by the U.S. Treasury Department's Office of Foreign Assets Control ("OFAC").

### **International Aerospace (Inter Aero) Arch Insurance Group**

Aircraft Hull and Liability Policy – Form 06 CAAD001 00 11 06

Coverage Territory: You are covered during the Policy Period up to the limits shown in the Declarations with respect to your Aircraft anywhere in the world with the exception of any country or jurisdiction which is subject to trade or other economic sanction or embargo by the United States of America.

**Global Aerospace Inc.** (formerly Associated Aviation Underwriters)

FHL policy Form - Policy Period, Territory: This policy applies only to occurrences and loss happening during the policy period and within the United States of America, Canada or Mexico or while the aircraft is dismantled and being transported between ports which lie within such limits.

Golden Wing policy Form – Policy Period, Territory: All Coverages: This policy applies only to bodily injury or property damage, and to physical damage losses to the aircraft which are sustained during the policy period, while the aircraft is within the United States of America, Canada, Mexico or the Bahama Islands or while en route between points therein.

Broad Horizon Aviation Insurance Policy: Where and When this Policy Applies: This policy applies to bodily injury or property damage which occurs and to physical damage sustained: (a) anywhere in the world; and (b) during the policy period.

**London Aviation Underwriters**

North American Specialty Insurance Company – Policy Period and Geographical Limits: This Policy applies only to occurrences or accidents which happen during the Policy Period stated in the Policy and within the land areas of the United States of America (excluding Alaska and Hawaii), Mexico, the Bahamas, and Canada (but not North of 54° North Latitude) and, in addition, to such other areas as are stated in the Policy. Furthermore, flights over water within 100 nautical miles (in the case of single engine aircraft) or 200 nautical miles (in the case of twin engine aircraft) from such land areas, or enroute between such land areas are included.

**Phoenix Aviation Managers Inc.**

Old Republic Insurance Co. – Policy Period, Territory – All Coverages – This policy applies only to bodily injury or property damage which occurs, and to physical damage losses to the aircraft which are sustained during the policy period, while the aircraft is within the United States of America, Canada, or Mexico, or while being transported between ports thereof.

CORPORATE AMENDATORY ENDORSEMENT – It is agreed that the following changes are made to this policy:

A. Under All Coverages: Insuring Agreement V. (Policy Period, Territory) is amended to include the following:

This policy also applies to bodily injury or property damage which occurs, and to physical damage losses to aircraft which are sustained during the policy period, while the aircraft is within Alaska, Bahamas, Caribbean (excluding Cuba & Haiti), Central America, or while en route thereto; provided, however, that no coverage shall apply under this endorsement unless the aircraft is operated on or from airports designed as such by the proper governmental authorities having jurisdiction over civil aviation.

CORPORATE AVIATION EXTENDED COVERAGE AMENDMENT – The WHERE YOU CAN FLY YOUR AIRCRAFT section of YOUR POLICY AND COVERAGE is extended to include coverage while your aircraft is anywhere in the world.

**Starr Aviation Agency Inc.** - Chubb

Starr AV – Policy Period, Territory – All Coverages - This policy applies only to bodily injury of property damage which occurs, and to physical damage losses to the aircraft which are sustained during the policy period, while the aircraft is within the United States of America, Canada, Mexico, the Bahamas and the Caribbean Islands or enroute between points therein.

Payment of loss under the policy shall only be made in full compliance with all United States of America economic or trade sanction laws or regulations, including, but not limited to, sanctions, laws and regulations administered and enforced by the U.S. Treasury Department’s Office of Foreign Assets Control (“OFAC”).

Starr Elite Comprehensive Corporate Aircraft policy – Policy Territory: The insurance provided by the policy shall be effective worldwide.

Payment of loss under the policy shall only be made in full compliance with all United States of America economic or trade sanction laws or regulations, including, but not limited to, sanctions, laws and regulations administered and enforced by the U.S. Treasury Department’s Office of Foreign Assets Control (“OFAC”).

**The Travelers Companies Inc.**

“Coverage Territory” means anywhere in the world except any country or jurisdiction while any embargo, trade sanction or similar regulation imposed by the United States of America applies to, and prohibits the transaction of business with or within, that country or jurisdiction.

**USAIG - United States Aircraft Insurance Group** managed by United States Aviation Underwriters Inc.



360° All-Clear Aircraft Policy – **When and where you are covered.** You are covered for occurrences that take place during your policy period while your aircraft described on the Coverage Summary Page is in the United States and its territories and possessions, Canada, Mexico, the Bahamas and the islands of the West Indies, or while enroute between these places.

400 All-Clear Aircraft Policy - When and where you are covered. You are covered for occurrences that take place during your policy period while your aircraft described on the Coverage Summary Page is in the United States and its territories and possessions, Canada, Mexico, the Bahamas and the islands of the West Indies, or while enroute between these places.

**U. S. Specialty Insurance Co. – USSIC – When and Where You are Covered** – You are covered during the policy shown in Item 3 of the Coverage Identification Page while the aircraft is within the United States (excluding Alaska and Hawaii), Canada, Mexico, or while enroute between these points.

**W. Brown & Associates Insurance Services** – Catlin Insurance Company Inc.

Policy Period, Territory – All Coverages – This policy applies only to Bodily Injury or Property Damage which occurs, and to Physical Damage losses to the aircraft which are sustained during the policy period, while the aircraft is within the United States of America, Canada or Mexico, or while being transported between parts thereof.

**W.R. Berkley Insurance Co. – StarNet Insurance Co.**

Aircraft Insurance Policy – Policy Period, Territory – All Coverages – This policy applies only to bodily injury or property damage which occurs, and to physical damage losses to the aircraft which are sustained during the policy period, while the aircraft is within the United States of America, Canada, Bahamas Islands, Caribbean Islands or Mexico, or while being transported between parts thereof. →