



Aircraft Registration and Insurance: More than Meets the Eye

By: Marci Veronie, Vice President, Sales & Marketing
Avemco Insurance Company

One of the seemingly mundane issues of aircraft ownership is registration with the FAA. Most of us view that process as a paperwork hassle and are glad when it appears to be complete. After all, you paid for the aircraft, it is in your possession, and you control its operation. You own it, right?

Unfortunately, when the owner suffers an insurance claim, the plot can thicken considerably. Avemco® uses the FAA registration to confirm that we are defending the correct entities and making payment to the legal owner of the aircraft in the event of damage to the plane. Claim defense and payment for aircraft damages may be delayed if the FAA records show ownership *other than that indicated on the insurance policy*.

If there are old liens on the aircraft they will need to be cleared before payment for repairs or a total loss can be made to the policyholder. Many of the issues associated with old liens can be avoided if a title search is done as part of the pre-purchase inspection. If that is done, it is the seller's responsibility to clear up outstanding issues before the sale.

In the event of a claim, it is the *insured's responsibility* to provide a clear title - discrepancies may cost time and money in the settlement process.

A nightmare scenario can occur if the policyholder is involved in an accident resulting in third party bodily injury or property damage where they have not properly registered the aircraft with the FAA. In this situation, the registered owner (who thought they had sold the aircraft and no longer owns the title) may be brought into a lawsuit simply due to their apparent "ownership" as indicated in the registration records. That prior owner is going to spend time, money, and aggravation trying to remove themselves from the suit. I don't have to tell you who they are going to look for to reimburse them for the time and legal expense to defend themselves; this reimbursement would logically come from the owner of the aircraft who had failed to properly register the aircraft after the sale.

You also have to consider the FAA aircraft Re-Registration and Renewal rule that went into effect October 1, 2010. Per the FAA website, approximately one-third of today's 357,000 registered aircraft have inaccurate records (see bit.ly/CP-Registration) and the FAA is now requiring that you reregister your aircraft every three years.

The requirement establishes specific registration expiration dates over a three-year period for all aircraft registered before October 1, 2010, and requires re-registration of those aircraft according to a specific schedule. All aircraft registrations issued on or after October 1, 2010, will be valid for three years with the expiration date clearly shown.

Again, not having your aircraft properly re-registered can hinder a settlement of a claim. There are also non-insurance issues with failing to properly register the aircraft. You may have difficulty selling the aircraft if it has a clouded title and the FAA may have issues with the owner who does not properly record the ownership interests.

Unfortunately, inaccurate aircraft registration is an all-too-common occurrence in claims adjusting. In addition to delaying the settlement it adds increased administrative cost to the claims adjustment process that may be passed along to the consumer. As already stated, it can also cost you time and money clearing the title.

Do yourself a favor; make sure that your aircraft registration is what it is supposed to be. You may be very glad you did.

Marci Veronie has been with Avemco since 1986, serving general aviation aircraft owners and pilots. She has extensive knowledge of aviation insurance and the aircraft that Avemco covers. Additionally she is active in Avemco's loss prevention efforts developing educational programs and training for her staff. She has been a member of Women in Aviation International since 2001.

Articles and news items provided by Avemco® are not intended to provide technical or legal advice. Content is for general information and discussion only, and is not a full analysis of the matters presented. The information provided may not be applicable in all situations, and readers should always seek specific advice from the FAA and/or appropriate technical and legal experts before taking any action with respect to any matters discussed herein.