



# The Hidden Dangers of Not Having Aircraft Renter's Insurance

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General aviation continues to face many challenges. There is expanded security and airspace regulation. Even though the economy is healthier in parts of the U.S., general aviation still lags behind other business sectors. As a result, the traditional small to medium FBO infrastructure is challenged to survive. One of these challenges has been a rise in insurance costs driven by increased costs to repair aircraft and an increasingly litigious society.

**Frequently unnoticed** in all of this is a general aviation problem that is often “under the radar” – hundreds of thousands of renters and borrowers of aircraft who are flying without any insurance coverage at all. These pilots are exposed to serious financial loss and legal headaches that may haunt them for the rest of their lives, and yet they blissfully continue to fly unprotected, often unknowingly.

## What are the “exposures” these pilots face?

The most obvious is damage to the rented or borrowed aircraft itself (Aircraft Damage Liability or ADL). If the borrowing or renting (non owner) pilot causes that damage, there is a strong likelihood that he or she will be held responsible, if not by the owner of the aircraft, then by the owner's insurer through a process called “subrogation.” The insurer will seek to recover the amount it has paid out to the owner, and the owner will want to recover his or her deductible.

Less obvious, but potentially much more serious, is bodily injury to passengers and people outside the aircraft. Another exposure often overlooked is damage to the property of others – including other aircraft, hangars, cars, runway lights, houses, crop fields, etc. The exposure most frequently overlooked, however, is not the injury or damage caused to others, but rather the cost to defend oneself from the litigation that arises out of the accident. It's a scary prospect to face a plaintiff's attorney alone, and an expensive and difficult prospect to find and fund an aviation-savvy attorney out of your own pocket.

## So why doesn't everyone buy this coverage?

And why do they continue to rent or borrow aircraft with no protection from loss?

- Many non-owner pilots think they are covered under the FBO's or owner's policy. In a few instances, they may be, but many FBOs are no longer providing coverage for renters due to the cost.
- In addition, the renter pilot doesn't know what coverage, if any, he or she may have under the owner or operator's policy. What if the owner or operator's policy has lapsed or been cancelled at the time a loss occurs?

In sum, the major reason for the prevailing unfamiliarity of non-owned aircraft coverage is a lack of understanding of the *need* for this coverage. Most insurance companies sell their products through commissioned agents, and commissions for non-owned pilot insurance are low. Investing time in helping the pilot community understand the need for this insurance may not be a priority for many insurers or their agents. However, Avemco Insurance Company strives to enlighten the rental pilot about the critical need for this product through safety education. As the only direct writer of aviation insurance, we are able to quickly and economically provide this coverage. And we have a team of aviation insurance specialists who you reach directly by phone that will go to great lengths to explain the coverage in detail and answer your questions.

Non-owned aircraft coverage not only provides needed protection to pilots but also benefits FBOs in several ways: (1) Renter coverage could take care of the deductible portion of the FBO's loss; (2) ADL coverage could reduce or eliminate the hull loss paid by the FBO's insurer when the loss is a result of the renter's negligence; and (3) ADL, if purchased, can pay for loss of use if the FBO is unable to rent the airplane and loses revenue; and (4) Renter coverage may broaden the sources of potential insurance recovery in the event of an accident, which could ultimately result in lower insurance costs for the FBO.

There is one final person that would benefit from increased renter aircraft insurance – the injured person. When an accident causes bodily injury or property damage, a loss settlement is more likely if the responsible renter or borrower has non-owned coverage. And, as mentioned above, the renter will have the benefit of coverage for his or her defense costs, as well.

## Avemco® makes the difference

Avemco has taken an active role in educating the general aviation community about the need for non-owned aircraft insurance. Compared to most costs in general aviation, non-owned aircraft coverage is relatively inexpensive and can go a long way towards addressing some of the problems the industry faces. If you fly rented or borrowed aircraft, Avemco offers coverage that will help protect your interests. It just doesn't make sense to “go bare” and accept all the risk on your own.

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