

Aviation Insurance

with *Dave Fitzpatrick*



Who should you buy aviation insurance from?

In my job, I talk to pilots about aviation insurance every day. From the questions and comments I get, I know that many of you have a tough time deciding what insurance coverage to buy. It's a complicated subject and most people don't really understand the details and subtleties. In fact, the majority of respondents to our surveys of aircraft owners state that they do not understand their aviation insurance policies very well at all.

One of the goals of this column has been to clarify some of the more common questions and issues relating to insuring your aircraft. But this month, I would like to go back a step further and provide some advice on something that you need to figure out before you decide on specific coverages and options.

That question is: Who should you buy your aviation insurance from?

The bottom line is that choosing the right place to buy your coverage often goes hand-in-hand with getting the right coverage. So here are a few things to consider before you choose where you buy your aviation insurance.

Who are the players?

In the insurance world there are three basic types of players: insurance companies, agents, and brokers.

Which one you choose to deal with will make a great deal of difference in the options you're offered—and the quality of your coverage. Let's look at your choices one at a time.

Insurance companies: Insurance companies are the ones who provide the insurance. They set the premiums, they decide who they want to cover (and who they don't), they write the policies (or maybe their lawyers do), and they pay your claim (if you have one). Many insurance companies don't sell direct, but some (like Avemco) do.

Many people think it's an advantage to deal direct—"cut out the middleman" and all that. Unfortunately there are some flaws in that thinking. First, and most important, you have no choices. It's like buying a TV set direct from Sony: you can pick Sony, Sony, or Sony! Maybe it's a good policy at a good price—or maybe it's not. You're on your own trying to figure it out. And as I said earlier, most people don't understand aviation insurance very well, so this may not be a very good option.

In addition, even the "cut out the middleman" idea is somewhat flawed. It doesn't cost you, the consumer, anything to deal with a broker or an agent; it's the insurance company who pays them their commission. Now some direct sellers may offer a lower premium since they don't have to pay that commission—but often they don't. So when you buy from them you don't save any money, but the insurance company does make a fatter profit.

Agents: Agents may technically be independent businesspeople but they usually represent (work for!) only one company. In other words, they still won't be offering you any choices. It's a lot like looking for that TV set at the Sony Store: they're a free standing store, maybe even independently owned, but your choices are still Sony, Sony, or Sony! Really not a big improvement over dealing directly with the company, although they may be more knowledgeable or take more of a personal interest in you than the anonymous telephone solicitors at the insurance company. Agents, however, are not common in the aviation insurance business at this time.

Brokers: Finally you have brokers, who don't work for or with any particular company. In fact, they work for you. Although it sounds like a cliché, and not all brokers are necessarily wonderful, it is true! Now you're buying your TV set from a store that carries different brands and models and can give you some advice as to their relative advantages or disadvantages.

It's just like that with an insurance broker. They represent a number of different companies and their job is to connect you with the right one for your needs. It doesn't really matter to them which company you buy from (since the commissions are pretty much the same); what they really want is for you to be satisfied enough to keep dealing with them year after year. If your needs change, and another company would be more appropriate for you, they're happy to make the switch for you. And it's quite possible that they can sell you that Sony after all—if that suits your needs.

So, as you can see, choosing a broker makes a lot of sense. But...

How do you pick the right broker?

Obviously, not just any broker will do. Just because they hang out an auto or home insurance shingle doesn't mean you should run in and buy your aviation insurance from them!

Although any licensed broker can sell aviation insurance, most of them rarely (or never) do. After all, there are millions of cars and houses, but only a few thousand airplanes. As a result the vast majority of brokers don't have the first clue about aviation insurance. They don't know the details; they don't know or deal with the companies. They don't know what questions to ask you or how to answer the questions you ask them.

In my experience, an encounter with this type of broker is the main reason most pilots turn directly to the companies (or agents): at least they know something about airplanes.

Don't take this lazy way out. You can spot and eliminate the brokers who never deal with aviation insurance pretty easily; the honest ones will even tell you right up front. Put in the effort to find yourself a good broker, someone who knows aviation, can give you good

advice, and can answer your questions.

Next up on the ladder there are the brokers who very occasionally write an aviation policy for one of their clients. They might have picked up a few tidbits about aviation insurance over the years, but not enough to entrust your coverage to.

On the third level, there are the brokers who list aviation insurance in their ads or their window signs. Maybe they even have an aviation "department" (or desk!) and advertise in aviation publications. But when you call, you get to talk to someone who has never been close to an airplane smaller than a DC10. Oh yes, they know the insurance details well enough. They can reel off the big five-dollar words and talk legalese with the best of them. But they still can't really understand your needs as a pilot and aircraft owner, or talk to you in your language.

Finally, you get to the rarest of them all: the insurance brokers who not only sell a lot of aviation insurance—they also know aviation. They're the ones who will ask you intelligent questions about your plane and the kinds of flying you do. They want to make sure they provide you with the right advice and information, and because they are usually pilots and/or owners themselves, they can speak your language.

They'll know the aviation insurance companies well. They deal with them often. And because the companies know and appreciate the business these brokers generate, sometimes they might even get you a better deal than you could get elsewhere. You can rely on them to be looking out for your best interests.

To return to our TV analogy, you can find companies who have a TV or two on their shelves, but the salesperson usually sells vacuum cleaners. Then there are the stores who sell quite a few TVs, but the salesperson doesn't ever watch TV—although they can tell you all about the electronics inside. Finally, there is the electronics specialty store where TVs are their life! They know TVs, they watch TVs, and they sell tons of TVs.

For my money, this is where I want to shop, and I think you should too. Especially when it comes to your aviation insurance (I don't really care where you buy your TV!).

There aren't a lot of brokers who meet my criteria—but there are a few.

They are well worth finding. And supporting.

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