

# DO YOU VALUE YOUR AIRCRAFT?

BY: DAVE FITZPATRICK

Wayne loved his float-equipped Cessna 185. It was his pride and joy. He felt he got a good deal when he bought it years ago for \$60,000. From day one, he made sure it was well insured, buying hull coverage for the full value of the aircraft.

Every year since then, when his policy comes up for renewal, he has told his agent to go ahead with the same policy for another year. He felt comfortable knowing that his aircraft was well protected in case of an accident.

Last year, Wayne arrived at the place his Cessna was moored to find it upside down, the victim of a freak storm the previous night. The aviation claims adjuster who reached the scene shortly thereafter estimated that the damages would be in excess of Wayne's policy limit of \$60,000 and wrote the aircraft off. Wayne received his cheque for \$60,000 and the insurance company took the 185 and floats for salvage.

The trouble was that the Cessna was worth about \$150,000 at that point. The insurance company offered the salvage for bids and was able to sell it off for \$36,000 (or 60% of the insured value) and came away looking pretty good. Wayne, on the other hand, received only 40% of what it would now cost him to replace the 185 and his flying future looked dramatically different than it might have been.

## **Different Reason—Same Problem**

Jeremy, on the other hand, thought he had a great way to save a few bucks on his annual aviation insurance premium. He knew his Piper Arrow was worth about \$95,000 on the market but he didn't like the cost of insuring for that amount. He thought he would insure the hull for \$50,000, figuring he'd bite the bullet and pay for any damage that would be over that amount in case of such an unlikely event.

One day Jeremy loaned his Arrow to a friend with thousands of hours of experience to go on a cross-country flight. Two hours into the flight, an unexpected engine failure caused the pilot to make a forced landing in a nearby field. Everyone aboard was all right, but the aircraft did not fare so well.

The damage sustained was in excess of the policy limit, so—like Wayne's Cessna—it was written off. Jeremy had his cheque for \$50,000 but his Piper was sold for salvage.

## **Don't Make the Same Mistake**

Both Wayne and Jeremy made the same mis-

take, although for different reasons. They failed to understand that once an insurance company appraises the damage at more than the value of the policy, they pay the insured the policy amount but they keep the insured item. This works the same whatever you're insuring.

The difference between your aviation and car insurance, for example, is that when you insure your car, the insurance company applies their own valuation to your car, they don't ask you. With aviation insurance, it's your call. If you undervalue your aircraft, you will risk losing it for the limit of your policy. If you wouldn't sell your \$95,000 Arrow for \$50,000, then you shouldn't insure it for \$50,000.

In Wayne's case, you could call it an unintentional mistake. He simply didn't keep up with the changing value of his Cessna 185. As the years went by, the hull coverage amount became further and further removed from the realistic market value and led to the unfortunate result after the accident.

This is a surprisingly common occurrence among owners. Aircraft values can change rapidly, and many people don't keep up with the trends. So what you assume to be a reasonable amount of insurance turns out to be very inadequate after a few years. At renewal time, make sure you get an up-to-date valuation and adjust your policy accordingly.

Jeremy's example is also quite common, but is even easier to avoid. You're not going to outsmart the insurance companies. The only person you're outsmarting is yourself.

Now that you know the way things really work in case of a write-off, make sure you invest those few extra dollars in the premium required to adequately protect your aircraft investment.



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