

Student & Renter Insurance Coverage

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A Perennial Problem.

It is interesting to note how certain aviation insurance issues seem to consistently generate concern and maybe even confusion over the years. Perhaps the best example of this continues to be the confusion throughout many segments of our industry surrounding the availability (or lack thereof) of coverage for the student and renter under a typical FBO insurance program. A recent issue of AOPA PILOT magazine again brought up the usual horror story of a renter pilot who "understood" he had coverage under his FBO's policy only to find out, after an accident, that he was not totally covered.

For simplicity, this issue needs to be seen in two components: first, what you as the FBO manager can do under your own insurance program; and, second, what the renter pilot can (and should) do on his or her own.

What you should know about student and renter exposures.

Anyone who flies an aircraft as pilot-in-command can be held legally responsible for the actions of that aircraft. As such, he/she will most likely be held responsible for any damage caused by that aircraft whether they own it or have rented it. In other words, your student and renter pilot has a significant exposure, particularly when you analyze the unusually high number of "pilot error" accidents attributed to this pilot group.

Yet the problem you face is that these flyers rarely understand their exposures and, quite frankly, assume all too often that you've "got them covered." This is the area where most of the confusion seems to occur.

What you can do to protect your operation.

First, we recommend that you advise each student and renter that they should carry their own non-owned aircraft liability and hull damage coverage.

Second, if they have any questions regarding what is adequate coverage for them, DO NOT advise them but refer them to one of the major carriers that specializes in individual non-owned coverages (AVEMCO, AIG Aviation).

Third, carry some form of Student and Renter Liability coverage. As you know, we believe your aviation business insurance program should include this type of coverage when you offer these services, just to protect your uninformed renters against claims from third parties. This is easy coverage to endorse and is not expensive. In many situations, however, underwriting restrictions may make this coverage inadequate for the financial needs of many of your renter pilots and, therefore, must not be viewed as primary coverage for them but as a "buffer" or "courtesy" coverage you are providing. This endorsed coverage will rarely include a waiver of subrogation for your renter pilots to preclude the possibility of your own insurance carrier looking to them for restitution should they negligently damage one of your aircraft.

Next, how to help your Student and Renter customers

To clear up any confusion with your student and renter customers regarding this issue, we suggest you incorporate the following points into your new renter pilot briefing and into your dispatching procedure:

Clearly state that all certificated renter pilots should carry their own non-owned aircraft insurance.

Advise the student or renter of the Student and Renter Liability limits endorsed onto your FBO policy and state that they may not be adequate for the renter's needs, that they are provided as a courtesy coverage and should not be relied upon as primary coverage for the renter.

Your renter pilots should be willing to shoulder their part in being financially responsible for operating your aircraft. We have crafted an overall risk management and insurance program to enable you to do so for your operation don't let their lack of understanding or unwillingness to do so threaten your operation.

Non-owned aircraft insurance is very inexpensive and can be bound over the phone on-the-spot and, therefore, should not be a deterrent in renting aircraft.

Review these issues with your flight instructors and counter sales people - make sure they understand where the confusion can come from and that these simple procedures can play an important part in reducing this confusion.

In the long term, these procedures also help solidify one other aspect of your operation and provide one more tool we can use in presenting the professional risk management practices installed at your operation to the insurance markets.

As always, I hope this will help you in the day-to-day management of your operation. Please be sure to call me if any of this prompts concerns or questions on your part. Our Professional Client Care program is designed to help you better manage just these types of situations.