CORPORATE EXPOSURE: The Sky's The Limit

Harry P. Mirijanian

As the corporate world continues to shrink distance-wise, more executives are taking to the skies for business trips on private or non-owned/hired aircraft. As a result, the need for special aviation liability coverage has probably never been in greater demand.

For organizations that own their own aircraft to accommodate their executives' travel schedules, we presume the appropriate exposure/control measures have already been secured. A risk that may go unnoticed, however, can occur when an executive is traveling in non-owned (hired or rented) aircraft. These rented aircraft or services can create a huge liability for the traveler's organization. In the event of a loss, the claimant is likely to seek relief from the aircraft's owner, but a renter who was found to have contributed to the loss could also become part of the claim. We realize, of course, that many rely on the aircraft owner to have adequate insurance protection with the appropriate coverage. This is where the review should begin, not end. Naturally, reviewing the aircraft owner's coverage is important, but so is a review of the company's financial integrity. Many large corporations make their privately owned aircraft available for hire as a source of income or as a means to defer expenses. I would be far more comfortable renting a privately owned aircraft from a *Fortune* 100 company than I would from a small privately held firm with limited financial wherewithal.

In addition to reviewing the company's insurance coverage and financial integrity, you should also review maintenance procedures (who performs what—where, when, and how), as well as the mechanics' level of experience and expertise. The organization's prior claims record, the number of years in business, and—if the pilot is also provided—his or her flight experience, should also be considered.

Unwary renters can become liable for damages.

After completing your review, you can consider the need to purchase a non-owned aircraft liability policy. The two key phrases are "non-owned" and "liability." For you to be able to obtain coverage, the aircraft may not be owned by the policy holder. The policy will pay only liability obligations, defined as bodily injury, property damage, and medical expenses. To secure coverage, there are only a handful of reputable carriers—or, for that matter, knowledgeable brokers—involved in this line of risk management.

All carriers that offer this coverage require essentially the same information, including the type of aircraft, number of passenger seats available, pilot qualifications, duration of the contract (short- or long-term), and operating territory (usually the U.S., Canada, Mexico, and the Bahamas are covered—although other territories could be added for a higher premium). Premiums can vary significantly, so be certain that the application is complete, allowing for proper risk assessment by the underwriter.

Because the number of companies offering aviation coverage is limited, it is rather common to find the same carrier insuring the aircraft owner as well as the renter. Although these are two separate policies, the carrier usually protects itself by stating that it will pay the higher of the two policy limits, but certainly not both. In other words, should a loss occur, the carrier is not obligated to pay the claimant twice for the same loss. Even if there are two carriers involved in the loss, the claimant should not collect twice. Although it is unlikely that a renter would be held liable for damage to the aircraft, especially when he or she is only a passenger, even this physical damage exposure can be added to the policy if desired.

We have just recently learned of a new business opportunity that will further complicate your review process. Companies are now offering organizations an opportunity to purchase a share of a business jet. This is analogous to buying a vacation time share at a resort. Buying a share in a jet is less costly than buying an entire plane, but it can expose all the shareholders in the event of a loss. Make certain if you buy a share of a jet that there is a policy in force that will protect shareholders, and that any organization purchasing an interest in the plane meets agreed-upon criteria.

Any company that rents an aircraft must recognize the possible large loss potential and should engage their broker in a detailed risk assessment—and they should consider purchasing a non-owned aircraft liability policy to protect their organization. ■

Harry P. Mirijanian is president of Applied Risk, an independent risk services management firm established to assist the business community in reducing exposure to loss and insurance costs. He is a frequent speaker at AMA seminars.

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Finance Forum Editor: George Milite.
Forum Group Editor: Florence Stone.
Senior Editorial Assistant: Grace Lander LoPinto.
Graphic Artist: Jay Klampert.

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