



ALWAYS READ THE FINE PRINT

A COMPREHENSIVE LOOK AT WHAT YOU SHOULD KNOW WHEN SHOPPING FOR INSURANCE ON YOUR PISTON-POWERED HELICOPTER.

by Guy R. Maher



Twenty years ago, I wrote a piece on the trials and tribulations of piston helicopter ownership, and commented that getting one's first insurance quote would cure constipation. Nothing has changed since then.

When you purchase insurance, you are typically buying two specific coverages. The first is physical damage, or hull coverage, which covers damage to the helicopter up to a stated value, less deductible. With helicopters, the typical deductible is 10 per cent of the stated value if the accident occurs while the rotors are in motion.

The other component of your coverage is liability. This covers claims of bodily injury or death to people riding in your helicopter and on the ground outside the ship. It also covers property damage to others. Typically, liability comes with

an overall maximum amount, with some specified sub-limits. For example, the most common liability level of coverage is \$1 million overall, but is limited to \$100,000 per passenger. If you wrecked your machine in a field and injured your passenger, you'd have a maximum of \$100,000 available to pay the passenger's claim, even if property damage was minimal.

Some underwriters offer what's known as "smooth" coverage. This means the entire amount is available to pay losses, however needed. So, in the above case, you'd have nearly the whole \$1 million to pay a successful claim against you by that passenger. The underwriter has the option to defend against the claim, but they usually pay for the defense.



WHAT'S AVAILABLE

When it comes to the primary piston manufacturers, Enstrom, Robinson and Schweizer, you do have choices. For each model type, there is a branded "program" administered through specific brokers. In addition, there is an alternate source for Robinsons through an offshore company (more on that later).

To qualify for a branded program, the owner agrees to adhere to certain initial and continuing terms and conditions regarding pilot proficiency and maintenance practices. The obvious benefit is the lower premium, but the real benefit is the positive effect on lowering the losses and increasing the safety factor for those on the program.

For all model types, you can also go to your

independent broker. This is most beneficial if you need specifically tailored insurance, more flexibility in coverage terms or have other special circumstances. Not surprisingly, this is usually the most expensive option.

For helicopters out of the norm (e.g., Brantly, Hiller, Bell 47), insurance is more dependent on the pilot and the ship's uses. Said William Lovett III, chief underwriting officer for AIG Aviation Inc. in Atlanta, Ga., "We have no problem with the older aircraft. What we want is a quality pilot. If you have high time in type and want to use them for pleasure and business, then we'll write it." He added, "However, commercial uses for those older aircraft, such as fairs, ride hopping, etc., are not a favored risk, and therefore AIG does not have an appetite for that business."

MANUFACTURER PROGRAMS

The Enstrom program is underwritten by AIG and exclusively brokered through Airsure Limited of Golden, Colo. Initial and recurrent training from an Enstrom approved instructor is required, and the annual inspection must be done by an Enstrom-schooled mechanic.

If you look at table 1-1, you get an idea of how premiums vary depending on pilot experience and helicopter mission. At the highest level is unrestricted rental, where, as an operator, \$40 to \$50 of each rental hour fee you charge goes to pay for insurance.

Said Airsure's Enstrom program account manager, Laura Beecher, "The rates are actually lower than the 'hard market' rates of 2001. In fact, they dropped 10 per cent from 2006, and are much more stable than rates outside of the program."

Schweizer's program is similar to Enstrom's in respect to yearly pilot currency and aircraft maintenance inspections — both have to be performed by company approved instructors and mechanics. But, there are some noteworthy differences.

The Daniel and Henry Company of St. Louis, Mo., has administered the Schweizer program for W. Brown & Associates, the actual underwriter, for over 10 years. Said senior VP Kay Johnson, "Although the program is designed to help low- or zero-time pilots purchase and learn to fly their helicopter, the largest part of our business is flight schools. Our deductible is only five per cent rotors in motion, and if the client has an aviation insurance broker they've been working with for many years, they can keep that relationship and still get into the program. We then work with that broker to make sure everything is done properly."

The sample rates Johnson provided are listed in table 1-2. If there are no claims in the first year, a 10 per cent credit of the hull premium is given against the renewal premium. The program

also includes all 269 series helicopters from the Hughes era. So, you're treated the same whether you're insuring a brand new CB, or a decades-old Hughes 269A, B or C.

The branded program for Robinson is underwritten by AIG and administered through three different brokers. You must undergo a thorough safety audit with a certified flight instructor (CFI) designated by the program to include practices, logbooks, maintenance and an evaluation flight. For pleasure- and business-use policyholders, you can attend the Robinson safety course within 60 days of policy inception, in lieu of the audit, but you must have the safety audit each year thereafter.

Sutton James Inc. of Hartford, Conn., is one of the Robinson program brokers. Stated Caitlyn Jones-Henry, who oversees their program, "We package the quotes per each customer to give the best option for what they need . . ." She continued, "Some carriers have off-airport exclusions for low-time pilots [less than 100 hours]. Some of our customers want \$1 million smooth in liability, so we have to go out of program for that — it's all about their particular circumstances."

The sample rates for the Robinson program are listed in table 1-3, but Jones-Henry didn't provide a quote for flight schools, stating, "These are very business specific and are based on pilot resumes, where they are flying, their rental agreements, business plan and syllabus. It's definitely the hardest for the new startups."

A NECESSITY-BRED OPTION

In the mid-1980s, insurance was even tougher to obtain, and more expensive if you did get it. And, it was worse for Robinsons, which were going through a tough period for losses. The factory safety course was beginning to get results, but not quick enough. Frank Robinson, company founder and president, knew more had to be done to keep R22 order books full.

At his encouragement, in 1986, Pathfinder Indemnity Company Ltd was formed in the British Virgin Islands, offering Robinson owners another option for obtaining insurance. This location was chosen because licensing statutes were easier to comply with for government approval. Although Robinson is the only product Pathfinder handles, it isn't restricted to the type.

Pathfinder is also not Robinson-owned. It is a real, independent business with an office in the Bahamas, where president Robert Cordes lives. Stated Cordes during a telephone interview, "I'm not Frank Robinson's brother-in-law, and haven't heard from him in years." He added, "Our office is real, and, in fact, many of our clients stop by and visit when they're vacationing here."

Table 1-1: Enstrom Program Sample Insurance Rates†

Pilot Experience	Helicopter Value	Mission Type	Hull Coverage Cost (10% deductible rotors in motion, \$1,000 deductible rotors not in motion)	Liability Coverage Cost (\$1 million overall and \$100,000 per passenger)	Smooth Coverage Cost (\$1 million total)
Private rating: 100 hours total; 25 in type	\$200,000	Private	\$9,400 US	\$2,100	\$2,730
Commercial rating: 500 hours total; 100 in type	\$200,000	Commercial (e.g., survey, photography, pipeline)	\$10,700	\$2,850	\$3,705
Commercial rating: minimum 1,000 hours total; 300 in type (top tier of program)	\$200,000	Commercial (e.g., survey, photography, pipeline)	\$9,660	\$2,650	\$3,445
CFI: 500 hours total; 100 in type	\$200,000	Restricted rental and training	\$14,270	\$3,400	\$4,470
CFI: 500 hours total; 100 in type	\$200,000	Unrestricted rental and training	\$19,260	\$3,750	\$4,875

†All rates shown are approximations, your rates may vary.



Airsure's Schweizer program requires yearly pilot currency and aircraft maintenance inspections. **Mike Reyno Photo**

PATHFINDER VS. LEGACY CARRIERS

There are some major differences between Pathfinder and legacy carriers. In hull coverage, Pathfinder has the typical 10 per cent deductible, but there is no lower deductible for rotors not in motion. So, whether your R22 or R44 is damaged by a hard landing or a hailstorm, your deductible is still 10 per cent.

Next, all repairs must be performed by the factory. Wherever you are in the United States or Canada, your Robinson must be sent back to the factory in California — at your expense. Legacy carriers don't have this restriction, and typically pay for recovery and transport.

Although you and Pathfinder determine a starting value for your hull coverage, the value depreciates for every hour flown. This is based on your starting value less the cost of the factory overhaul, divided by the 2,200-hour overhaul interval stipulated by Robinson. For my R22, the depreciation number is \$54 per hour. So, even though I started at \$140,000, if I flew off 100 hours and had a total loss, I'd get a maximum of \$120,600, which is the face value less the 10 per cent deductible, less \$5,400 in depreciation.

The question is whether you can save enough in premiums to cover the lower value you'd receive in the event of an accident? Consider that, on each renewal, Pathfinder will set the hull premium based on the newly depreciated value of your ship. On the other hand, while some legacy underwriters will insure a Robinson that has less than 2,200 hours since new or overhaul, but has exceeded the 12-year overhaul period, Pathfinder won't.

Liability is another aspect to examine closely.

For many, Pathfinder is not just a real company, but a real option. For me, personally, Pathfinder was the best choice, but it may not be for you. I wanted to insure my R22, valued at \$140,000 US, for business transportation, sightseeing and aerial photography. The domestic quotes were from \$15,120 to \$18,170 in annual premiums. Pathfinder was \$5,200. A domestic pleasure and business policy on a new Raven II will easily hit \$25,000, to over \$30,000 for pilots with less

experience. Pathfinder's rate is typically half that or less. (See table 1-4 for other sample Pathfinder quotes.)

As they say, though, "The devil is in the details." If you take only one thing from this article, it should be that you must understand every aspect of every insurance policy you are considering, how it relates to your needs, how much risk you are assuming, and what compromises you must make.

Table 1-2: Schweizer Program Sample Insurance Rates†

Owner	Helicopter Value	Mission Type	Total Coverage Cost (Hull & Liability)	Hull Coverage Cost (5% deductible rotors in motion)	Liability Coverage Cost (\$1 million overall and \$100,000 per passenger)
Personal Owner 250 hours total time (300CB)	\$150,000	Private	\$12,000	\$9,000	\$3,000
Flight School (300CB)	\$200,000	Open Rental	\$18,250	N/A	N/A

†All rates shown are approximations, your rates may vary.

Table 1-3: Robinson Program Sample Insurance Rates*

Pilot Experience	Helicopter Value	Mission Type	Total Coverage Cost (Hull & Liability)	Hull Coverage Cost (10% deductible rotors in motion, \$1,000 deductible rotors not in motion)	Liability Coverage Cost (\$1 million overall and \$100,000 per passenger)
Private rating: 100 hours total, all in type	\$700,000 (R77)	Private	\$14,000	\$11,000	\$3,000
Commercial rating: high-time pilot	\$90,000 (R22)	Commercial (e.g., sightseeing and photo work)	\$13,000	N/A	N/A

*2007 rates, 2008 rates not available at press time; all rates are approximations, your rates may vary.

Pathfinder's \$1 million of liability coverage is specifically designated, with a limit of \$100,000 per person. Notice I don't say per passenger. This means, whether you injure a passenger or someone outside of the helicopter, your maximum payout to that individual is \$100,000, even though your policy limit is \$1 million.

The same applies to property damage. If you crash into a \$500,000 house, flying alone, and hurt three occupants, only \$100,000 of your Pathfinder liability will go to the house, and \$100,000 to each occupant. You'd have to have 10 individual claims to use up the full liability limit. With most domestic carriers, your \$1 million liability is typically available to persons or property outside the helicopter, however it's needed. In the above case, \$500,000 could be available to settle the house destruction, and, depending on your policy conditions, the rest could go to the occupants.

With Pathfinder, there is no option to get smooth coverage or obtain increased liability limits. For some owners, this is the real sticking point. Said Cordes, "We recognize the fact that for some operators we don't offer sufficient liability coverage and we are actually considering raising the limits of liability."

COMBINED POLICIES

Some operators, like Chris Webb, president of Complete Helicopters Inc. of Blaine, Minn., combine policies. Said Webb: "I have two R22s and two R44s, with one on a part 135 certificate. I insure all four with Pathfinder and I'm pleased to have the coverage we get at the rate they offer. With the part 135 R44, I have an additional liability policy purchased from a domestic carrier. And even at that, my total premium for that R44 is half of what it would have cost me to insure the whole thing through AIG."

Webb added, "With the legacy companies, the issue often is whether one can even get coverage at all. Many won't write coverage for certain risks at any price. Pathfinder is cost-effective and so long as one meets their specific policy endorsements, the open pilot warranty [stipulations on who can fly the helicopter] is excellent."

Some customers insure only the hull with

Pathfinder and purchase liability through a domestic carrier. Some financially fortunate types actually self-insure the hull and only buy liability coverage, regardless of the helicopter owned. It's about how much risk you can afford, and how much you really want to own the helicopter.

PATHFINDER DIFFERENCES

Another aspect of the Pathfinder coverage is that Robinson pays a premium to be named as an "additional insured" on your liability coverage. If you ball it up and hurt somebody, and they sue you and Robinson, both are covered up to the policy limit. As long as you agree to a joint defense with Robinson, it doesn't change your

liability limits. However, if you request a separate defense, then only half of your coverage is available to you. Also, your cost of defense comes out of your coverage. If \$10,000 is spent on lawyer fees, only \$90,000 is left to pay the claim.

Robinson Helicopter general counsel Tim Goetz explained, "A self-consuming policy does tend to keep administrative costs down and plaintiffs' attorneys are more likely to come to a quick resolve." He added, "After a substantial claim is validated, our experience is that Pathfinder will offer the policy limits without a fight, similar to a no-fault type scenario. In most instances, people are willing to settle for the policy limits when it's tendered early."

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Table 1-4: Pathfinder Sample Insurance Rates†

Pilot Experience	Helicopter Value	Mission Type	Total Coverage Cost (Hull & Liability)	Hull Coverage Cost (10% deductible, both rotors in motion and rotors not in motion)	Liability Coverage Cost (\$1 million overall and \$100,000 per person)
ATP pilot, 140 hours in R22	\$135,840 (R22)	Group 2 (includes pleasure & business; e.g., commercial photography, traffic watch, news gathering).	\$5,198**	\$3,838	\$1,360
Private pilot owner: 200 hours total; 40 hours PIC in R22	\$226,170 (2007 R22)	Private	\$7,390	\$6,030	\$1,360
Private pilot owner: 200 hours total; 60 hours PIC in R44	\$378,390 (2007 R44 Raven II)	Private	\$10,940***	\$8,380	\$2,560
Private pilot owner: 65 hours total, 3 in R44	\$381,500 (2008 R44 Raven II)	Private	\$13,449	\$10,749	\$3,200

**Comparable domestic quote was \$18,170 (\$3,050 Liability + \$15,120 Hull on \$140,000 value)

***Comparable domestic quote was \$24,750 (with pilot having all 200 hours in R44)

†All rates shown are approximations, your rates may vary.



For older piston helicopter models, like the Bell 47, insurance is more dependent on the pilot and the ship's uses.

Garth Eichel Photo

Said Dr. Scott D. Christie of Farmington, Maine, owner of a 2007 R44, "Personally, I want a combined defense with Frank Robinson. He has been involved in lawsuits before and will continue to have lawyers fighting on our side. . . ."

Another aspect of doing business with Pathfinder is they only communicate by fax or email. In the event of a claim, you contact Pathfinder and from that point you're dealing with the factory, a claims adjuster or a combination of both.

This method of no direct telephone contact irritates some, but has its benefits. Said Cordes, "It's a matter of keeping costs down. We have a small and efficient office, dealing with clients in all 24 time zones. It's just not practical to staff for this." He added, "However, we have decided that it would be sensible to have a full specimen policy copy available that has as much information about our coverage as anybody could want. So, now we make that available for the asking."

Stated Todd Henrikson of NC Rotor and Wing, a flight school in Louisburg, N.C., "Pathfinder is good about responding to emails, it's no hindrance to business. It's about the same response time we get from the domestic carrier who insures one of our ships." Henrikson insures one R22 with a domestic carrier, because Pathfinder requires Robinson instructors to have 300 hours — the legacy carrier, only 200. The legacy-insured R22 is used with CFIs having less than 300 hours.

I couldn't find anyone who went through a claim process with Pathfinder that wasn't satisfied with the outcome. Equally, the underwriters for the branded programs and standalone coverage also received high marks for claims results.

Through their brokers, the legacy insurers tell you exactly what's covered, what the conditions



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are and for how much money. Pathfinder does it through email and offers a sample policy. There are many comparison nuances that may mean a lot, or next to nothing, it's a matter of choice.

INSURANCE FOR RENTERS

A lot of students don't realize, in many cases, flight school insurance covers the school, not the student. Several rental agreements spell it out loud and clear: in the event of a loss, the student is obligated to pay the deductible. The good news is there is renter's insurance for helicopter students. The bad news, it's not cheap.

To buy liability coverage similar to those discussed earlier, and cover hull deductibles to \$20,000, your annual premium would be nearly \$1,800. It's about \$500 less if you only get \$10,000 in hull deductible coverage. If you wanted to insure yourself for liability and the full value of a \$150,000 helicopter, your annual premium would be over \$5,000.

Said Alison Barker, an account executive with Andreini & Company, a brokerage firm in San Mateo, Calif., specializing in aviation insurance: "The student needs to clearly understand their rental agreement. Many agreements only obligate the student if the loss was due to their negligence. If the accident was due to mechanical failure, they may not be obligated to pay. Also, the underwriter of the renter insurance will investigate who's at fault and challenge or pay the claim accordingly."

She added, "I do know of another underwriter who has expressed a possible interest in starting a rental insurance program. It all depends if there is enough interest from the student marketplace. So, I'd love to know how much interest there really is out there."

THE BOTTOM LINE

Whether you rent or own a helicopter, insurance and managing financial risk is at the top of your list. And, there are many differing approaches on how best to accomplish these tasks. One new R44 owner insured through Andreini because he didn't like the fact that Pathfinder wouldn't allow him to have more than one passenger until he achieved 200 hours. Others said the Pathfinder premium savings outweighed the shipping and depreciation aspects. Enstrom and Schweizer owners weren't happy about their costs, but were happy to get good coverage and stable rates recently.

Amongst all the opinions and reasonings, there are some hard and fast truths about obtaining helicopter insurance. First, do not go from broker to broker thinking you'll get a better deal. There are scores of brokers, but only a handful of under-

Table 1-5: Piston Insurance Contacts

Company	Person	Phone	Email
Airsure Limited	Laura Beecher	303-526-5300	lbeeche@airsure.com
Andreini & Company	Alison Barker	800-969-2522	abarker@andreini.com
The Daniel and Henry Company	Kay Johnson	800-571-5020 or 314-421-1525	johnsonk@danielandhenry.com
Pathfinder Indemnity Company, Ltd.	Robert Cordes	Fax: 242-352-3932	pathfinder@coralwave.com
Sutton James, Inc	Ask for a Robinson program broker	860-249-8066	rcjones-henry@suttonjames.com

writers doing the insuring. Once you ask a broker for a specific quote, other brokers are locked out of the game. This prevents 15 brokers from asking the same few underwriters for quotes on the same client.

With Pathfinder, determining coverage levels and rates are straightforward, and the application process is quite simple — especially since it has five basic usage groups from pleasure to the highest risk commercial uses. For domestic coverage, the approach is to ask around, talk to brokers without asking for a specific quote — interview them — then pick one to go to work on your behalf and sell you to the underwriter.

It's hard to believe, but you actually have to sell yourself to the underwriter: why you're a good risk; why they should consider you; and why you deserve the best premium.

Next, accept the fact you never get more than you pay for. If you are going to fly and own a helicopter, you will accept a financial risk. After

the accident is not the time to have your policy explained and to find out exactly how much financial risk you just accepted.

Finally, if you think all of the above is rough, consider the fact that insuring a new light, single-engine turbine helicopter can easily cost \$50,000 per year. At least you wouldn't have to spend any money on laxatives.

Guy Maher holds an ATP certificate for helicopters and a commercial pilot certificate for airplanes, with over 14,000 combined flight hours, all civilian. An EMS pilot flying a hospital-based IFR EC 135, Guy is also a CFI for single and multi-engine airplanes and helicopters. He has over 35 years of aircraft sales experience and provides expert testimony on aviation safety and operational matters.



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