



## **Protecting your new asset: A brief insurance guide for aircraft owners**

So, imagine that you are the soon-to-be the proud new owner of your own aircraft, an exciting personal asset or business tool that could revolutionise the way you, your family or colleagues travel and work.

Amidst the furore of choosing your aircraft and envisioning the opportunities it will offer, how much thought have you given to your “what if” strategy? As we bear witness to crises such as pandemics and wars unfolding before our eyes, it becomes clear that insuring against the unexpected should be a critical part of managing your high-value asset.

In a recent interview, we picked the brains of one of business aviation’s most experienced players, Juris Zacs, Spain representative at Marine Insurance Services SIA Branch, to learn what you need to know about insuring your jet. Here’s what we found out...

### **When should I start thinking about insurance?**

The quick answer to the question of when to shop for insurance is “sooner rather than later”. The complex situation for aviation insurance post-COVID means the process of obtaining quotes is more labour-intensive and therefore is taking longer than usual. “Given the current global situation overall, there needs to be a more in-depth compliance check for the insurers and brokers alike”, explains Juris Zacs. “This in turn means that extra time may be needed to under the risk assessment”.

### **What key factors are insurers looking at?**

First, the insurer will undertake a “KYC” (Know Your Client). This process is used to identify the risk factors associated with you and your asset. It helps the insurer determine if he is able to offer insurance for you, your aircraft and operations.

From the underwriter’s perspective, time and information are the most valuable commodities. “It is key for the underwriter to have the most comprehensive set of information possible available in a reasonable time frame, so that the study can be completed efficiently”, explains Zacs. “The less we know, the higher the insurance premium will be”, he warns.

### **Should Owners buy an individual policy or join the operator fleet cover?**

On the one hand, individual policies for one aircraft might be more expensive than the insurance rates for a fleet of aircraft. However, “if you are talking about a fleet that has some previous loss records, this will be taken into consideration and it could lead to a premium increase for every single aircraft in that fleet”, Zacs explains.

Overall, fleet policies are more common for AOCs. Insurers are more comfortable with this arrangement, it being, as Zacs observes, “smoother to manage and administrate the insurance cover, adapting the terms, adding and deleting the coverages etc.”

### **What do the owners and operators need to know about the aircraft insurance?**

Zac’s first piece of advice is to review the documentation with your brokers. “Since the broker normally writes the policy, he is the person you need to discuss any changes with”, he says.

When you are comparing insurance companies, Zacs recommends that you pay attention to insurers’ international credit ratings to make sure they have sufficient financial stability. Furthermore, you should ask about insurers’ claims handling processes. “Some insurers have their own in-house claims adjusters and others outsource,” he points out.

You should also be clear on the level and structure of the deductibles offered, bearing in mind what is reasonable for the type of aircraft you own. “Most important is to check the EXCLUSIONS section which affect and limit the actual operations of the aircraft”, warns Zacs. “You should also ensure that all pilots who fly the aircraft are covered under the policy”.

Other elements to watch for are that all financing and leasing companies are properly listed in the policy and that lessor requirements are shown in the terms. It’s also good to see if there are any additional benefits covered, such as premises liability, a replacement aircraft made available while a claim is being processed and so on.

## **What to do if you are struggling to obtain insurance?**

Sometimes, underwriters might turn down a policy where the pilot's experience is not clear or does not meet minimum training and safety compliance standards. Or the insurance premium level that the client expects to pay is too low for this to be commercially viable for the underwriters.

"The key thing is to have a professionally, well put together risk analysis to present to the insurance markets", reiterates Zacs. If you are unable to secure insurance from one source, then an alternative is to try and spread the risk amongst several providers. "This is a more common approach these days and a logical one too," Zacs observes. "Each insurer takes on lower risk and together you can offer the client the coverage they need."

### **For Further Information:**

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