

# Insurance Primer



A  
GUIDE  
FOR  
SEAPLANE  
OWNERS



Seaplane  
Pilots  
Association





## INTRODUCTION

Insurance is one of the most expensive and least understood aspects of owning a seaplane. Fortunately, with a little effort you can learn a few basic principles that will help you save time, avoid common pitfalls, and potentially save a bundle of money.

This brochure was developed by the Seaplane Pilots Association to teach you what you need to know to make informed decisions about insuring a seaplane. It is based on the collective experience (and inexperience) of our members, as observed by our staff and volunteers. While we sought the advice of professionals in the field of insurance, this brochure was written by and for seaplane owners.

Although SPA endorses a specific insurance broker, Falcon Insurance Agency, this brochure is not specific to any one broker or insurance company. The concepts presented here are applicable regardless of the company that provides your insurance.

We hope that this pamphlet takes the mystery out of buying seaplane insurance and provides you with practical tips to enhance your insurability, reduce your premiums, and protect against the unforeseeable.

## **THE PLAYERS**

### **Insurance Companies**

**Insurance companies issue insurance policies and pay claims. They are responsible for determining how much your insurance policy will cost, the limits of your coverage, and the conditions you must meet to keep your insurance in force. Some insurance companies, called direct writers, will only issue quotes directly to customers, but most issue quotes only through brokers. Only one major direct writer, Avemco, insures seaplanes.**

### **Insurance Brokers**

**Brokers are frequently confused with insurance companies. Brokers represent their client's interests to the various insurance companies, obtain quotes, bind coverage, and provide policy services such as adding or changing coverage, renewing policies, and collecting or refunding premiums. Brokers do not set rates or limitations, and they do not assume any risk or pay any claims.**

### **Reinsurance Companies**

**Insurance companies themselves buy insurance against major losses from reinsurance companies. This is important to understand only because reinsurance rates are influenced by factors totally unrelated to seaplanes, such as terrorism and natural disasters. Thus, seaplane insurance premiums will fluctuate even when seaplane-related claims remain stable.**

## **A DUTY TO DEFEND**

**One of the more valuable benefits of liability insurance is the insurance company's duty to defend you if you are sued as a result of an accident. Legal fees can be astronomical in such cases, but most insurance policies will both provide and pay for your legal defense without reducing the limit of liability available for judgments and settlements.**



## **SELECTING A BROKER**

**Most pilots assume that shopping for a broker and shopping for insurance are one and the same. Ask several brokers for quotes, and the best broker will provide the best quote, right? Wrong! Before you consider asking anyone for a quote, you should shop for and select a broker.**

**Recall that insurance brokers do not set insurance premiums. Instead, they gather your information and take it to a number of insurance companies for quotes. Those insurance companies, if they opt to offer coverage, give the broker terms, including a price and policy limitations. Your broker then discusses all the quotes with you, and you determine which policy best fits your needs.**

**There are very few insurance companies that will write seaplane policies, but there are thousands of brokers who will gladly seek a quote on your behalf. To avoid issuing countless identical quotes to multiple brokers for the same end customer, most insurance companies will only recognize one broker per customer. Thus, the first broker to contact an insurance company on your behalf will be recognized by that insurance company as your exclusive broker, or broker of record.**

**Since the insurance companies contacted by your first broker will not release quotes to any**

**other broker, your first broker will have a tremendous advantage over all subsequent brokers. So long as the first broker you contact is modestly competent, he should return the best quote, even if he is the least competent broker of the brokers you contact.**

### **Broker of Record**

**As discussed in Selecting a Broker, most insurance companies will recognize the first broker to seek quotes on your behalf as your exclusive broker of record.**

**Note that you can have a different broker represent you to each of the several insurance companies that write seaplanes, but you cannot have more than one broker represent you to any one insurance company.**

**You can change your broker of record at any time, but doing so will not change quotes already issued, and will take some time. Changing your broker of record at a given insurance company requires a letter from you to the insurance company requesting that the insurance company recognize a new broker as your broker of record. The insurance company will notify your old broker, and after waiting for a few days to ensure that you don't change your mind, will begin working exclusively with your new broker.**

**Note that a change of broker of record is specific to the insurance company contacted.**





INSURANCE FOR SEAPLANE PILOTS



Seaplane  
Pilots  
Association

**FALCON  
INSURANCE AGENCY  
HAS MADE  
A BIG SPLASH IN  
SEAPLANE INSURANCE**

Falcon Insurance Agency and the Seaplane Pilots Association have joined forces to make a big splash in aviation insurance. Our new SPA Insurance Program offers members the most comprehensive insurance solutions available, with enhanced coverage, a variety of underwriters, and dedicated professional service. This program is distinguished from the pack by higher limits of liability, competitive prices and available coverage for seaplane operators, including commercial operators and Lake Amphibian owners.

**TO LEARN HOW WE CAN HELP  
YOU, CALL US TODAY AT**

**1-866-217-4SPA**

**1-866-217-4772**

**OR VISIT US ONLINE AT  
WWW.FALCONINSURANCE.COM**



## COVERAGES AVAILABLE

Stated Value Physical Damage

Aircraft Limits of Liability as Required

Aircraft Premises Liability

Medical Coverage \$3,000 per Person

Non-Owned Physical Damage  
and Liability

Non-Owned Hangar Liability \$25,000

Emergency Landing and  
Search and Rescue Coverage \$10,000

Personal Effects Coverage \$1,000

Lienholder's Interest  
or Breach of Warranty as Required

Expanded Territorial Coverage

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## EARLY CANCELLATION

Some pilots try saving money by buying insurance in the spring and canceling it in the fall. Bad idea! Your annual insurance premium covers risk that is primarily seasonal. Cancel early, and you deny the insurer premium for risk already covered. The following spring, you might find the underwriter less willing to offer you another policy or a competitive rate.

**Note also that your old broker will probably contact you during the waiting period to lobby for your business.**

**You can change your broker of record at any time, but to avoid alienating both brokers and insurance companies, you should exercise restraint, and change brokers only when you have good cause. Further, you should change your broker of record before buying your insurance policy, and preferably before your old broker has obtained a policy renewal quote.**

### **Direct Writers**

**Insurance companies that sell directly to customers (namely Avemco in the aviation insurance market) do not participate in the independent broker system. Hence, seeking a quote from a direct writer will not restrict your choice of brokers. However, a quote from a direct writer is a quote from one insurance company, whereas a quote from a broker is the best quote available from a selection of insurance companies. Note also that a broker cannot obtain a quote from a Direct Writer.**

## COVERAGE

**Following are a few important issues concerning the quality and value of a seaplane insurance policy. Read your policy or ask your broker to clarify these issues if you have any doubt as to how they are handled in your insurance policy.**

## **Liability Limits**

**Liability insurance is typically offered as an aggregate maximum (typically \$1,000,000) with a sublimit of some lesser amount per person or passenger (typically \$100,000 or \$250,000). This means that your insurance will not pay out more than the sublimit to any individual person or passenger, and will not pay out more than the aggregate maximum as the result of any one accident.**

**The aggregate limit available to most seaplane owners is \$1,000,000. Higher aggregate limits and “smooth” (non-sublimited) coverage are not easily obtained in today’s market, but may be available in some circumstances.**

**The difference between a “person” and a “passenger” is subtle, but very important. A per passenger sublimit is preferable to a per person sublimit, as it provides more liability protection in the event you harm someone who is not a passenger.**

## **Deductibles**

**Typical seaplane hull insurance deductibles are 5% to 10% of the hull value. Lower deductibles may be available in some cases, but expect to pay more for the additional coverage.**

## **Hail Damage**

**Some insurance policies will not pay for the repair of superficial hail damage that does not**



## **A MOVING QUESTION**

It pays to read the fine print before committing to 'not in motion' hull insurance. While most policies are quite reasonable, some consider an airplane to be in motion unless it is tied down on terra firma or parked in a hangar. This could leave you without coverage if wind or other circumstances damage your docked or beached seaplane.

reduce the airworthiness of the airframe, although insurance companies do typically pay for the reduction in the value of the airplane.

### **Seasonal Conversions**

Insurance policies vary greatly in how they deal with seasonal landing gear conversions. Some policies require that the conversion schedule be spelled out in advance. Others estimate when you will install and remove floats on the basis of the average season where the airplane is based, and thus don't require that conversions occur on a set schedule.

## **RISK FACTORS**

Insurance premiums – and availability – are driven by risk: the higher the risk, the higher the cost, and the higher the probability that the coverage isn't available at any cost.

Following are but a few of the many risk factors considered by insurance companies.

### **Pilots**

Insurance companies judge seaplane pilots by a number of criteria, the most important of which is flight time in seaplanes. Time in type, time in amphib (if insuring an amphib), and total time are also factored in to the risk equation. Education, including certificates and ratings held, as well as recurrent training, are also important indicators of safety. On the other hand, an accident history, enforcement actions, advanced age, and DUIs are undesirable risk factors.

## **Equipment**

**Just as a sports car costs more to insure than a station wagon, some seaplanes are more insurable than others. For example, very few insurance companies cover experimental aircraft, and those that do charge more and choose covered types with care. Other factors used to determine risk include the number of seats (less is better), horsepower (less is better to a point), the type's accident history, the availability of factory parts and support, the age of the airframe, the familiarity (popularity) of the type, and the type of landing gear (amphibs cost more).**

**If you have not yet purchased a seaplane, consider consulting with a broker to get a feeling for which of the above risk factors are most important given the current insurance market and your personal experience.**

## **Application**

**It should go without saying that a commercial operation costs more to insure than pleasure and business, regardless of whether the commercial aspect is flight instruction, sightseeing, charter, or scheduled service. Commercial seaplane operations can be difficult and expensive to ensure, and demand the utilization of a broker well versed in this type of coverage.**



## **A COSTLY RECOVERY**

Don't overlook the cost of recovery when contemplating whether to go without hull insurance. If your seaplane sinks, or you wreck in the wilderness, recovering the remains of your airplane could cost tens of thousands of dollars! In many cases you will be required to remove the wreckage, regardless of whether the airplane has any salvage value. Factor this in to your insurance buying decision, and make sure your insurance covers salvage of the airplane, regardless of cost.

## **STRATEGIC PLANNING**

**Insuring a seaplane can be very expensive for an inexperienced seaplane pilot. However, you can reduce your insurance premiums with a little strategic planning.**

**Insurance premiums are based in large part on your seaplane time, yet few aviation policies limit the number of hours you fly during the policy term. Take advantage of this by flying as much as possible in the first year or two of ownership. The more you fly this year, the less your insurance will cost next year. Over several years, the cumulative effect of this strategy can save you thousands of dollars. A word of caution, however: confirm your insurance company's attitude towards high utilization rates before putting more than 250 hours per year on your seaplane.**

**In some regions, the age, number of seats, power, rarity, and loss history of a seaplane type can dramatically influence insurance rates. Talk to your broker to find out which seaplanes can be insured for bargain rates in the current market, and consider buying and building time in one of these models before trading up to the model you originally sought.**

## MEMBERSHIP BENEFITS

In 1972, a small group of seaplane pilots formed a dedicated organization with a unique purpose—to protect the water flying rights of all seaplane pilots by minimizing restrictions and opening new waters. Today, the Seaplane Pilots Association has well over 7,000 members and a broader mission that includes representing members' interests at all levels of government, furthering seaplane safety, reducing the cost of flying seaplanes, and promoting the sport.

Membership benefits include:

Federal, State, and Local Representation

*Water Flying Magazine*

Members Only Web Site

Seaplane Insurance Program

*Water Landing Directory*

Toll-Free Help Line

Free Classified Advertising

Affinity MasterCard

Car Rental Discounts

For insurance quotes and service, contact Falcon Insurance Agency, SPA's endorsed insurance partner, toll-free at 866/217-4772.



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