

The Unappreciated and Ill Defined Aircraft Maintenance Log

By Thomas H. Chappell

- Where are your aircraft's maintenance logs?
- Are they stored at your local FBO or aircraft maintenance shop?
- Where does your mechanic keep your logs when in his care?
- Are your logbooks insured?
- If insured, for what kind of loss?
- If lost, how would you reconstruct your maintenance logs?
- How much would your aircraft be devalued if your maintenance logbooks were lost?

These are scary questions that many aircraft owners or service providers may not have considered. In order to continue this discussion, I must ask you one more question. Are an aircraft's maintenance logbooks considered part of the aircraft? This question must be answered before we can establish insurance coverage or responsibility in the event the logbooks disappear or are destroyed.

Although the Federal Aviation Regulations have absolutely no bearing on insurance coverage or policy definitions, it is interesting to obtain a view from different segments of the industry.

According to the Federal Aviation Regulations Part 43, Part 91.417 and Part 91.419, an aircraft's logs must be transferred with the ownership of an aircraft but in no way do the FARs state that an aircraft's maintenance logs are a part of an aircraft. In fact, they remain quite silent on the subject. The FARs are quite long and detailed, and a definition may be hidden somewhere in the recesses of the regulations, but our investigation turned up nothing. So, if you are the studious type and choose to research this topic further, give me a call should you find conflicting documentation.

I did not stop with the FARs. My staff and I researched the aviation insurance industry on the subject in an attempt to try to define an aircraft's maintenance logs as a part of an aircraft. We reviewed three of the industry's broadest aircraft hull policies. There we found the definition of aircraft, but could not tie the maintenance logs in as a part of the aircraft.

Global-Aerospace "Broad Horizon":

"Scheduled Aircraft" means the aircraft described in Item 4 of the Declarations and any newly acquired aircraft, including the propulsion system and parts and equipment installed in or on the aircraft (1) while installed and (2) while temporarily removed until replacement has commenced: also tools and equipment in the aircraft which have been designed for use with the aircraft and are ordinarily carried in the aircraft."

USAIG "All Clear 360":

"What is an aircraft? Your aircraft includes your airplane or rotorcraft and any operating, navigating or radio equipment that's usually attached to the aircraft. Parts of your aircraft that are temporarily removed are also included even if replaced by similar parts. Any tools and repair equipment standard for your type of aircraft are also included. In addition, we will cover personal property, carried in your aircraft, which is used in the operation of your aircraft. If you have other insurance covering a loss to a replaced part or personal property, this coverage shall be excess of the other insurance. And, personal property does not include

wearing apparel and other personal property not used in the operation, communication or navigation of your aircraft."

The AIG "Gold Medallion":

"Aircraft means the aircraft described in Item 4 of the Declarations (and when appropriate any aircraft qualifying under the provisions of Special Insuring Agreements I, II, or III) including the propulsion system and equipment usually installed in the aircraft (1) while installed in the aircraft, (2) while temporarily removed from the aircraft and (3) while removed from the aircraft for replacement until such time as replacement by a similar item has commenced; also tools and equipment which are specially designed for the aircraft and which are ordinarily carried therein."

After more than thirty years in this business, I have committed many of the most frequently used aviation policies to memory. I must admit, however, I still have to go back and read and study when searching for a small policy detail. Since these three policies quoted above are considered to be among the broadest in the aviation insurance industry, my rationale is if something is not covered in the industry's broadest policies, it stands to reason it won't be covered in the more restrictive policy forms.

Therefore I think it safe to say, again, the maintenance logs are generally not considered part of the aircraft.

Although your maintenance logs are actually not a part of the aircraft, they sure are important. They are important but under-appreciated until they are lost. Although many aircraft owners are very careless in the security of these logs, they may be the single most expensive and vulnerable unofficial part of your aircraft.

Have you ever thought of the consequences if your aircraft's logs were lost or destroyed? A number of aircraft dealers have told me that without a complete set of maintenance logs an aircraft could suffer diminished value of as much as 20% to 50%. Some dealers have estimated the loss at a much higher cost.

The fact is, many aircraft owners, chief pilots, and service centers do not properly secure an aircraft's maintenance logs. I have seen them stored in cardboard boxes, plastic bags, on open shelves in hangars, and any number of storage methods unacceptable to a treasure worth \$10,000 to \$1,000,000 dollars. How much is your aircraft worth? If my dealer's estimate of value is correct at 20%, how much are your logs worth? Does this justify at least a fire safe? Should your maintenance facility or service center store your logs in a cardboard box or would a fire safe be in order there as well?

Insurance is not always the answer to the risk of loss. Often times, a strong risk management program is a far better and a much cheaper solution. Proper storage helps to reduce the exposure to such perils as fire and theft. This is not the only exposure. Transporting your records to the maintenance facility is inviting catastrophe. Where will your books be stored while in the care of the FBO or maintenance facility?

"But the FBO is insured." Yes, that may be true, but for what? Service centers usually purchase hangarkeeper's legal liability insurance to cover their acts of negligence for AIRCRAFT in their care, custody and control. We have established that the aircraft's maintenance logs are not a part of the aircraft. And even if they were, if your records are in the care custody and

control of the FBO and a windstorm, fire, or some other "act of God" destroys your logs, the hangarkeeper's legal liability coverage purchased to cover this property may not answer. Since hangarkeeper's coverage is liability coverage, the FBO must be negligent before a hangarkeeper's liability policy will answer. It might be said that the FBO is negligent because they did not use proper storage. That assumption might require a court battle to achieve satisfaction.

Some underwriters interviewed about this subject indicate they would accept such a claim under the hangarkeeper's liability policy but would only offer to reconstruct the books. Reconstruction is what the FAA requires to regain the aircraft's standard airworthiness certificate. Or is it? If your aircraft has timed parts, and all aircraft do, it may be necessary to replace all parts that are undocumented and are in question. It is assumed that all timed parts are the same age or number of cycles as the oldest documented part. A quite expensive proposition don't you think? And if we are dealing with a "Part 135" aircraft, the requirements are more rigid and as a result more expensive. Will the insurance company pay to replace these parts? Not unless we can establish that maintenance logs are a part of the aircraft and so far we have been unable to do that.

Of course, if the FBO or maintenance facility does not return your logbooks with your aircraft, you would have grounds to question. Just because the FBO's insurance company doesn't respond doesn't mean a court would not hold the FBO responsible.

An FBO's or service center's insurance company may respond in a variety of ways. The company may claim that the logbooks are not part of the aircraft and, as such, do not fall under the hangarkeeper's policy. They may try to compromise and offer to pay for the reconstruction of the books. The one thing they will resist is reimbursing you for the loss of value of your aircraft due to the missing logs.

A reconstructed set of maintenance logs that are properly documented may satisfy the FAA but does it satisfy that potential aircraft buyer to whom you may sell your aircraft? The true loss is in market value or market acceptance. Diminution of value is just as real with incomplete logs as it is in an aircraft with damage history. After all, why should a potential aircraft buyer pay you an average retail price for your aircraft with missing or reconstructed maintenance logs or damage history if he can buy another aircraft that is clean and complete? So a discount is expected. How much? It depends upon the age, value, make, model, and availability of the aircraft. If the market is saturated with like aircraft, you may have to discount your aircraft drastically in order to make it attractive to a buyer. So the 20% diminution of value estimated by my dealer friends may be very thin.

If the FBO's hangarkeeper's legal liability coverage does not give us satisfaction, will my aircraft hull policy cover the loss of my logbooks? It would if we could establish that the logs were a part of your aircraft. But we have already determined that they are not.

I interviewed a number of the most respected claims people in the industry in preparation for this article. I sent questionnaires to all the major companies. Some chose not to respond. I guess this is a hot potato. Maybe they thought they would be setting a difficult precedent. Some gave me great answers. The best responses came from USAIG and Phoenix Aviation Underwriters.

There is a difference between what an insurance company is required by contract to pay and what they will actually do.

One claims attorney said that although the logs were not technically a part of the aircraft, he would consider them a component and would pay for reconstruction under the aircraft owner's hull policy. (There is no coverage for diminution of value in the hull policy.) If covered under a hangarkeeper's policy, he would reconstruct and make some contribution for diminution of value. He would not pay for the replacement of a timed or cycled part.

Others have said they would pay for the reconstruction of the logs but would allow no contingent coverage such as diminution of value or loss of use.

Those mean "ole" insurance companies. Pay when they don't have to? It does happen. For some, I would expect them to follow the strict word of the policy. I had one response that they would expect to pay for the replacement of your logbooks. This may mean, to some adjusters, simply replacing the books themselves. You got it. Just the books left blank with nothing inside. No reconstruction, just the books.

Of course, if replacement doesn't include complete reconstruction of your records they haven't done much to help.

Reconstruction, as you know, is a hit and miss proposition. The older the aircraft is, the more difficult it is to reconstruct the records. Aircraft that have had numerous owners are a real challenge. If your aircraft has been owned outside the United States, reconstruction may be impossible.

If insurance is not the answer, what can we do? Remember, insurance is just one aspect of risk management. Let's go back to the basics. Let's develop a good RISK MANAGEMENT PLAN.

Your storage at home:

Proper storage is the place to start. Find a good place in your home, office or hangar for a high quality fire resistant safe or fire resistant file cabinet. This removes a part of the risk. Put your logbooks inside. I have seen some aircraft owners purchase secure storage units and procrastinate on putting the logs in their new homes.

Your maintenance facility's handling and storage of records:

Interview your maintenance facility about the handling and storage of your records while in their care, custody, and control. If they cannot demonstrate an adequate storage facility, suggest they research the problem and solve it. Once put on notice (preferably in writing), they have an added level of responsibility should your records be destroyed.

Now, the best of the best, duplication:

With today's technology, records can easily and economically be scanned or copied and stored on a compact disk or on paper. A professional data storage company that specializes in the duplication of records can accomplish this. It can be done at your home or office if you have access to a copy machine or a scanner and compact disk burner.

Corporate Flight Management, Inc., a Smyrna, Tennessee aircraft maintenance facility and one of my clients, offers a duplication service for their customer's maintenance logs. Of course a charge is made for this service. What a great idea and a great customer service!

You are never finished:

This is a catch-up and then stay-up scenario. Once you have a complete copy of your maintenance logs, you must keep up with future maintenance done on your aircraft. Don't forget. One missing page constitutes an incomplete set of logs.

Proper storage:

You would be amazed at the number of intelligent business people who back up their computers and then store the back-up disks or tapes in the same room of the same building that houses their computers. Don't make this mistake with your maintenance log copies.

Find a second location to store your copy. Logically, the second location should be in a separate building, preferably in a separate part of town. Purchase a second fire safe. You will have a lot of work and money invested in the back-up copies themselves. It would be a shame to go to this effort and expense only to have the copies destroyed.

Good risk management is always the sermon that my staff and I preach. The duplication and proper storage of your aircraft's maintenance logbooks is a risk management practice and your best insurance against loss. During my 31 years in aviation insurance, the one mistake that I see repeated most often is the lack of good management practices. All too often, business people try to make insurance the solution when good risk management practices are a cheaper and better road to avoiding the threat of loss. In this case, few aircraft owners and maintenance facilities demonstrate the kind of security procedures that an asset the value of your maintenance logbooks deserves. Q