

How Will an Accident or Claim Affect My Insurance?

By Christopher J. Turnbull

As an insurance agent/broker, we spend much of our time working with clients or prospective clients trying to solve their insurance and risk management problems. As a result, one question we are asked is how a claim(s) is going to affect their insurance record and premium?

The good news is that many of the underwriters I spoke with consistently reported that claims are looked at on a “case by case” basis. As a result, just having a claim on your record isn’t the end of the world and may not affect your premium at all.

When we review your renewal or placement with the underwriter, a good agent/broker is going to discuss a number of factors including whether the loss or “occurrence” as we call it, was controllable? For example, did you forget to put the landing gear down because you weren’t using your checklist or did the nose gear collapse as a result of an unforeseeable mechanical problem? Did the aircraft run out of fuel because you pushed the flight beyond the aircraft’s fuel limits, or did the engine stop because of unforeseen contaminated fuel from an FBO? Was your aircraft damaged by hail while parked on the ramp during an intermediate stop or did you try to “punch through” a small hole in a line of thunderstorms?

Other factors that may also affect your insurance placement include the number and severity of claims. If you have claims every year that continue to exceed the premium you’re paying, chances are the underwriter is either not going to renew your policy or may have to increase your rates and/or deductibles in order to contain your losses. Other underwriting companies may not have an interest in providing coverage at all if your policy was cancelled or not renewed because of a bad claims history. Additionally, some companies will not write new business if you’ve had a claim in the past three to five years.

FAA violations are generally regarded in a similar manner. For example, an unintentional, minor altitude violation would be looked at differently than an intentional or gross violation of an FAR that resulted in an accident or long-term suspension of your license.

The ability to control losses is an important element in any good risk management program and an essential part of the relationship that you have with your insurance company and underwriter. In addition to controlling losses where possible, you have other responsibilities and requirements outlined in your policy if you do have a loss.

Insured’s Responsibilities:

For example, in the event of an occurrence or loss, most policies require that you:

1. Promptly notify the insurance company’s claim department. This requirement can be facilitated by contacting your insurance agent.

2. Cooperate with the insurance company and upon request, assist them in making settlements and in enforcing any of their rights of recovery or indemnity against any person or organization who may be liable to you with respect to the insurance afforded in your policy.

3. Do not, except at your own cost, voluntarily make any payment, assume any obligation or incur any expenses other than first aid to others at the time of the accident.

4. Allow the insurance company to view the damage before repair or disposition.

5. Give the company a proof of loss statement within 60 days of the loss.

6. Make your records available to the adjuster proving the amount of the loss, pilot qualifications, etc.

7. Protect the aircraft from any further loss or damage.

8. Do all things necessary to transfer title to any salvage, including your aircraft if it is a total loss to the insurance company.

9. In the event of theft or robbery, you must promptly notify the police.

Since each policy has different requirements, it's important to read and understand your policy. If you're not sure, contact your agent.

Don't delay reporting a claim

As noted above, part of your agreement (your policy) with the underwriting company is that you "promptly" notify them in the event of an occurrence or loss. Unfortunately, we see instances where an insured is too busy or has not decided to file a claim and therefore does not report it right away. This inaction makes it difficult for an adjuster to investigate and fairly settle a claim that may have occurred at some earlier date. Therefore, we recommend you notify your agent of any potential claim. Your agent can then advise the insurance company that an occurrence took place that may or may not result in a claim being filed. If you decide not to proceed with the claim, that's fine. However, failure to report a claim in a timely manner could potentially result in non-payment of the claim if you do decide to proceed at some future date.

Keep in mind claims adjusters are there to help you and want to get a covered loss settled as quickly and fairly as possible. An insurance company's reputation is greatly affected by their ability to handle claims quickly and fairly. They need your help and cooperation.

Controlling losses is an essential part of the relationship that you have with your insurance company and underwriter. For their part, the underwriters understand that losses do occur and that's why you purchase insurance. They're going to be there when a covered loss occurs.

The bottom line; when an underwriter looks at your claims history, they look at the specific details including whether it was controllable, the number and severity of claims you have, and whether you're taking the necessary steps to prevent future claims. →