

## **Premises Liability**

*By Thomas H. Chappell*

Many hangar contracts now required by fixed base operators around the country are asking the tenant to carry liability insurance for the tenant's own negligence arising out of the occupancy of the hangar or tie-down area. Some of these agreements refer to general liability, some to public liability, and others to premises liability. Although there are some coverage differences between these basic forms of coverage, the FBO is basically asking for the same thing using different terminology.

Coverage for your leased premises is not a bad idea. Most FBO's, however, carry their requirements a step further. Many of these fixed base operators want you to enter into a lease agreement. Leases help to outline the responsibilities of both parties. Whether you are leasing a building, an apartment, or a hangar space, a written agreement is a good idea. Most of these FBO leases include a hold harmless agreement for your negligent acts arising out of the operation, use, or occupancy of your hangar or tie-down area. It is certainly a reasonable requirement to expect you to be responsible for your own negligent actions.

We see many contracts go past the point of fairness, however. Many require a blanket hold harmless and indemnification clause that passes responsibility to you regardless of negligence. In these cases, we recommend you take extreme caution before signing such a lease contract. Send a copy to your attorney for advice and assistance in negotiating a more reasonable contract. Send a copy to your insurance agent for the approval of your aviation insurance underwriter. This will assure that you don't violate your insurance policy.

Most aircraft insurance policies must be specifically endorsed to provide premises liability coverage. Regardless of the terms of your hangar contract, this is not a bad coverage for you to carry.

If your lease contract is reasonable and only requires you to be responsible for your negligent acts as occupant of the hangar, coverage can be quite affordable. Ask your agent to purchase a separate general liability policy only as a last resort. Although available, you will find premiums ranging from \$750 to \$3,000. Is this ridiculous for such a small exposure? You bet it is. The solution may be as simple as a phone call to your aviation insurance agent requesting that your underwriter endorse your aircraft hull and liability policy to include premises liability and add the FBO as an additional insured as respects your aircraft operation. In most cases, this can be done for little or no additional premium especially if the request is made at renewal. Although some underwriters will not include premises liability under the aircraft policy, most will gladly make the coverage available. Some broader policy forms automatically include premises liability in the policy wording but may not extend coverage to apply to the lessor.

We receive many calls asking if this coverage is included under a business commercial general liability policy or the aircraft owner's personal umbrella policy. The answer?

Usually these types of policies specifically exclude aviation related exposures. There is no reason to try to cram a square peg into a round hole if your aviation underwriter will add the coverage at a reasonable price.

What if your hangar agreement makes no indemnification or insurance requirement or you have no hangar lease agreement at all? Quite honestly, you have a premises liability exposure. The possibility of loss is inherent to your occupancy of your hangar. Give yourself a break and contact your agent. This is good coverage to have whether your FBO requires it or not.

Remember, you have to ask your agent for the premises coverage extension. This is not normally a coverage that will be added automatically. Q