

Aircraft Insurance: After the Upgrades?



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By Mike Jones

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In the summer of 2019 I was researching the charms of various Cessna float planes. It was a great story to write and the flying was hugely entertaining. I did not get my floatplane certificate but it certainly “wet” my appetite for the adventure.

But one of the most memorable moments of the project was a quiet conversation at Treasure Coast Seaplanes in Vero Beach, FL (KVRB). I was watching the activity on the runway from outside the FBO gate early on a sunny Florida morning. After a bit another gentleman wandered over, his grey hair and comfortable demeanor suggesting many years in the cockpit. The conversation quickly focused on our planes. He was the proud owner of an antique biplane.

“I’ve got a \$200,000 antique airplane with a quarter million dollars of new toys in it, and I’ll never see that money again,” he concluded, watching the sun rise over the glossy-black tarmac they were laying at Vero last summer. “But you know, I’m okay with that.”

He was okay losing a quarter of a million dollars? My heart nearly stopped.

The dedicated readers of this monthly epistle — both of you — will recall that my Cessna T210 has enjoyed a host of updates and improvements over the past twenty years. Am I in the same pickle as the biplane owner? Are you?

Flashback

When she arrived at my doorstep in Plainville, Connecticut in 2002 my new Centurion was a much-loved but thoroughly tired heavy hauler. Years of brutal California sunshine had faded the exterior. The panel was richly-appointed in chipped blue enamel. Durable but dated Cessna avionics were piled high in the center of the cockpit. There was a VOR with RNAV (does anybody under the age of 60 even know what an RNAV is?), a flakey 400B autopilot, a completely illegal automobile-style music system, a StrikeFinder and a LORAN, both of which weighed a ton and neither worked. The wheezy old Continental had about 1,400 hours on it. She was a thing of beauty (see photo, below).



But like most passionate encounters, after a few years the rough edges began to show. (This rule does not apply to my marriage. Mostly.) How

annoying is a transponder which takes 20 minutes to warm up? Isn't changing landing lights every 25 hours just a pile of fun? How dangerous could an unreliable autopilot be? Do real pilots even use their autopilots?

Let's face it: some failures are more critical than others. I can tolerate a wobbling VOR in CAVU conditions, but not if I'm flying to minimums in hard IMC. That dodgy autopilot usually isn't a problem — but how about when I'm being re-routed by ATC through New York's busy airspace? The vagaries and limitations of old avionics simply were becoming more troublesome, the farther and faster I flew.

Which brings us to the Big Question most pilot-owners face at one point or another. Do I risk the Raised Eyebrow of Death from She Who Must Be Obeyed, or do I reach deep into the joint bank account and fix the problem properly? Hmmmm. Maybe I could just muddle along and hope for the best. Come to think of it, that's just like being married. But I digress.

The short answer is, with the blessings of my mostly-sainted wife, old '91N has enjoyed years of upgrades. Today the plane is a far more capable



workhorse than when it left the Cessna factory. Table 1 lists the major tweaks and updates I have added to '91N over the years.

Now the problem is clear: just like the guy with the biplane, I have a \$150,000 airplane stuffed with \$200,000 of new toys and digital magic. Without paying astronomical insurance premiums, how do I insure this plane and protect my investment?

Ask the Experts

For answers, I turned to two experts. My first resource is Terry Riney, the owner of the eponymous Terry Riney Agency in Pinehurst, NC. Riney is a sixty-something Centurion pilot with a gentle smile and eyebrows as thick as the tumbleweed which blows across the Kansas prairies where he was raised. His Centurion is a work of art. He has thousands of hours in the left seat and hundreds of planes insured. But even more importantly, "Mr. Insurance" is a

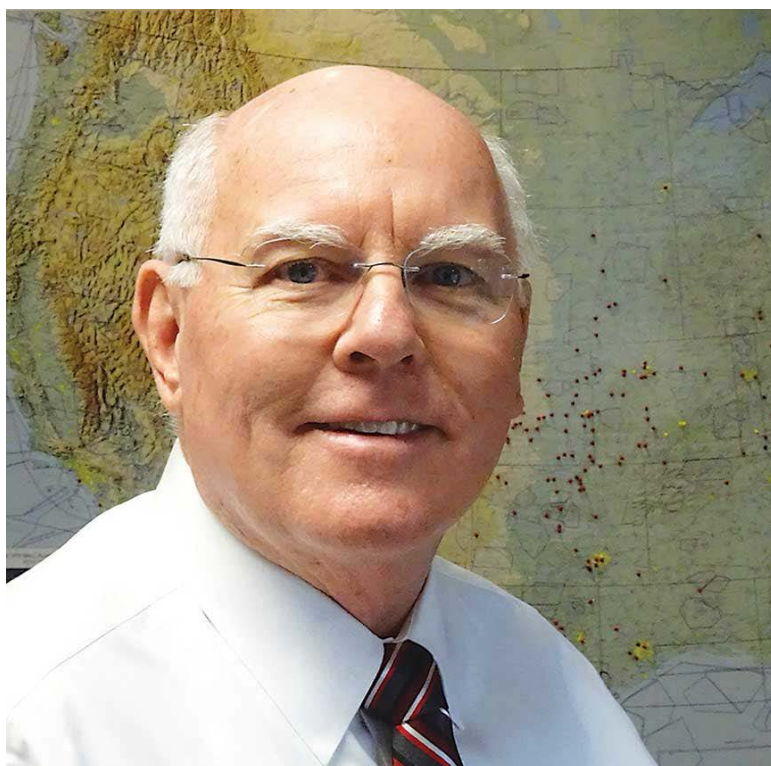


Photo 1: Terry Riney, "Mr. Insurance"

Certified Aviation Insurance Professional. There are less than 150 of those experts in the entire world. He's in the insurance market place every day.

My other resource was Airika Ackermann, my favorite broker with Sutton-James Insurance in Hartford, Connecticut. Sutton-James is a mid-sized agency which has specialized in aircraft insurance for 40 years. They alone have insured all of my

planes. Like Ackermann, every broker in the company is a pilot. Ackermann herself has nineteen years in the industry. These people know their airplanes and their insurance.

I've known Airika Ackermann for almost twenty years and always been secretly delighted her name matched her industry. She's like Sky King, with a prettier smile. I have never been so presumptuous to ask her about her name, but it turns out the story isn't as glamorous as I had expected. Her folks simply had selected "Eric" or "Erica" for their new baby.

"It fell to my father to sign the paperwork," she told me. "He just sounded out the name and spelled it phonetically. Becoming a pilot was just a coincidence." Airika named her own son Joe.

Both Riney and Ackermann agreed it is very important to insure the upgrades as well as the airframe itself. "You're insuring your investment and your assets, not a hypothetical resale price," Riney coached me. It all comes down to finding a "mutually-agreeable value" for the airplane.



Photo 2: Ms. Airika Ackermann of Sutton-James in Hartford, CT

Under-insuring will save you money on premiums if you can accept the risk. An under-insured airplane means the owner will be on the hook if the unexpected happens. It also might make it more likely for your insurance

carrier to “total” your plane instead of repairing it because airplane repairs can be very expensive.

“I had a client who flew a wonderful 210 for years, with nothing but liability insurance,” Riney recalls a case-in-point. “Finally I convinced him to insure the airplane itself. Not six months later he had a problem on take-off. He was barely off the ground and pancaked the plane inside the fence. Because he had sufficient insurance on his plane he was able to get it trucked to Ohio and eventually it was repaired. It’s still flying today.”

Over-insuring is a less common occurrence because insurance companies are very wary to agree to an unusually high value. The risk to the insurance company, of course, is that a pilot will put a huge value on his winged steed and then drive it into the weeds in order to cash-out. That may be fraud but it’s hard to prove. The insurance company easily could be on the hook for an egregious agreed-upon value.

“Nobody will insure your 210 for a million bucks just because you put in diamond-covered seats,” Ackermann laughed. “You can’t insure love!”

Here’s the question the insurance company asks itself: If, at some point, the insurance company owns your airplane, how are they going to get any value out of it?

“They don’t want to be stuck with it,” Ackermann said. “All they can do is sell it or part it out.”

In other words, if the agreed-upon value is far outside of the market value they’ll be stuck with the loss. “You want the claim to go in the right direction,” Ackermann said. “Insuring it accurately is the best thing you can do.”

Agreed-Upon Value

To begin the process of finding the best agree-upon value, Riney urged me to start with widely available public resources. The Blue Book value is one place to begin, but both he and Ackermann agreed those valuations are only for the most common and ordinary airplanes. It is hard to tweak a Blue Book value to accommodate all the modern upgrades and improvements an owner can put into a plane.

A better option is to start with Trade-a-Plane and Controller. These two magazines publish exhaustive lists of all the airplanes on the market. Their listings usually include three key factoids: prices, photos, and equipment. This makes it possible to develop a fairly robust estimate of the market value for your airplane.

Then, tweak that value with the cost of the upgrades you have installed on the plane. Riney was adamant about the need for accurate records and invoices. “Document your upgrades and present them to the insurance company. They may add them to the valuation and give you some protection,” he said. “It’s like, help the insurance company to meet you as far along the way as they can.”

With the proper documentation Riney can justify a valuation far above a basic number. At the same time, don’t expect to insure the plane for all the coins which fell out of your pocket. Depreciation is a factor; my Garmin 530W is a fine system but it’s not the latest-and-greatest anymore. Another factor: insurance companies will not cover the cost of labor. “A good rule of thumb is to insure for half of the upgrade value,” Ackermann suggested.

All of this got me wondering about my insurance company. How do I know if I had a good one?

Riney explained that twenty years ago the aircraft insurance market was much larger and highly profitable. Because the niche was so successful it

Table 1: Upgrades to Centurion N7591N, original cost, as of 2019

Investments & Upgrades	Year	Price
Purchase Price	2002	\$150,000
New Continental TSIO-520	2005	\$45,000
New Avionics, incldg. Garmin 530W and Mode S Transponder	2007	\$50,000
New Comm 2	2014	\$3,000
New LED “Pulse” Landing Lights and Position Lights	2015	\$4,000
Bobble-Head Dalmatian	2012	\$20
New ADSB Transponder, BlueTooth, Spherics Lightning Detection	2018	\$20,000
Flint Tip Tanks	2017	\$20,000
New Exterior Paint	2018	\$17,000
New Interior Leather, Carpet & Trim	2018	\$12,000
Vortex Generators	2018	\$3,000
New Garmin autopilot	2019	\$20,000
		\$344,020

attracted new entrants who did not understand the nuances of aviation insurance. These companies acquired clients by ignoring risks, low-balling the premiums and cutting prices. This had the overall effect of making the market barely profitable. Eventually, those opportunistic competitors bailed out. Today, there are maybe just fifteen companies writing airplane coverage and prices are going up.

Ackermann agreed with Riney’s assessment but expanded upon the problem. First, across the industry, airplanes are becoming more expensive.

Pilots are getting older and insurance companies see pilot age as an increased risk. Plus, the major losses in the past few years — the Boeing 737 Max problems and the Kobe Bryant crash — drive up the cost of insurance for all. Once the lawyers and the courts get through adjudicating a crash, “awards are a lot higher than they used to be,” Ackermann said. “I’m afraid all of it has contributed to this hardening market.”

Quality Insurance Companies

When searching for an insurance company, look for an “A” rated carrier or better. Then, make sure that company is a good match with your situation. The insurance carriers are looking for pilots who have experience in the aircraft they fly. A newly-minted private pilot driving a Cessna 421 is going to be hard to insure. The carriers also are looking for pilots who train over-and-above the legal requirements. They also favor recent experience. A guy who only flies two hours a year is not nearly as attractive as the guy who puts in hundreds of hours.

Finding the right carrier can be a problem for some aircraft types. With a Cessna 172, basically anybody can go anywhere for their insurance. But as airplanes become more complex carriers become more choosy. Whether it’s turbine-powered planes, helicopters, float planes, or planes with quirks, some insurance carriers are better than others.

“Some companies just won’t write anything at all on the Cessna 210s because of the gear door losses,” Ackermann said.

Carriers also don’t want to get too heavily weighted into one particular niche of aircraft, like being “all Cirrus” or “all RVs” so a rejection from one company may be a reflection of their customer mix, not you or your plane. The problem with float planes, for example, is they’re often submerged after an accident which makes them a total loss. Carriers want to have a balanced portfolio. One bad year can significantly harm their balance sheet.

Your pilot credentials will a difference, too. Some companies are better with transitioning pilots while some are more comfortable with senior pilots. Some insurance companies may require additional recurrent training or an annual medical; some will drop your coverage limits as you age, and (worst case) some may require you to fly dual. Riney knows of some older pilots having trouble obtaining coverage for their complex, high-performance airplanes because they switched to BasicMed. “The assumption is, you’re hiding something,” he explained.



Photo 3: Zippy the Bobble-Head Dalmatian. Zippy was the only upgrade to the plane without a four-digit price tag. He was good company on long flights but disappeared during an annual a few years ago. RIP, Zippy.

Both of my experts agree on one important point: as an owner, being totally price-driven is a big mistake. Some owners jump from company to company to save five bucks on their annual insurance. But a long-standing relationship with a reliable company goes a long way when there’s a problem. Especially as a pilot ages, long-term customers with a good record will be more insurable if they have stayed with that carrier for years.

There’s another downside to “shopping around.”

Consider the situation if you have an accident and they’ve only been working with you

for six months. That company is likely to “kick you to the curb” — they aren’t

going to be eager to insure you after a loss. Well, few other companies will want you as well. You may have become virtually uninsurable.

One other hot tip: stay with aviation specialists. Your local home insurance or life insurance guy will not have a clue about dealing with the problems of aviation insurance. Ackermann put it quite bluntly: “The guy may be your brother-in-law, but aviation insurance is so specialized, so unique, that somebody who just writes homeowners insurance wouldn’t have a clue how to do what I do.”

About the Author



Dr. Mike Jones is a 4,000 hour commercial-rated pilot who takes both his Cessna Centurion and his light sport taildragger to grass runways whenever he can find them. You always can reach him at PilotMike2012@gmail.com.