



Aircraft Registration and Insurance More Than Meets the Eye

by: James A. Lauerman, President

One of the seemingly mundane issues of aircraft ownership is registration with the FAA. Most of us see that process as just a paperwork hassle and are glad when it appears to be complete. After all, we paid for the aircraft, it is in our possession, and we control its operation. We own it, right?

Unfortunately, when that owner suffers an insurance claim, the plot can thicken considerably - especially if the loss is a total loss requiring the insurance company to document ownership prior to taking possession of the salvage. That can prove to be a difficult process if the FAA records show ownership other than that indicated on the insurance policy.

If there are old liens on the aircraft they will need to be cleared before payment of a total loss can be made to the policyholder and the insurance company can get clear title to the salvage. Many of the issues associated with old liens can be avoided if a title search is done as part of the pre-purchase inspection. If that is done, it is the seller's responsibility to clear up outstanding issues before the sale.

In the event of a claim, it is the insured's responsibility to provide clear title and discrepancies can cost time and money in the settlement process. At Avemco, we can help the policyholder through this process via our connection with a title search company, but the policyholder still experiences the delay and cost of clearing the title.

A nightmare scenario can occur if the policyholder is involved in an accident resulting in third party bodily injury or property damage where they have not properly registered the aircraft with the FAA. In this situation, the registered owner (who thought they had sold the aircraft and no longer own the title) may be brought into a lawsuit simply due to their apparent "ownership" as indicated in the registration records. That prior owner is going to spend time, money, and aggravation trying to get themselves removed from the suit. I don't have to tell you who they are going to look for to reimburse them for the time and legal expense to defend themselves; this reimbursement would logically come from the owner of the aircraft who had failed to properly register the aircraft after the sale.

There are also non-insurance issues with failing to properly register the aircraft. You may have difficulty selling the aircraft if it has a clouded title and the FAA may have issues with the owner who does not properly record the ownership interests.

Unfortunately, inaccurate aircraft registration is an all-too-common occurrence in claims adjusting. It causes increased administrative cost to the claims adjustment process that must be passed along to the consumer. As already related, it can also cost you time and money clearing the title.

Do yourself a favor, make sure that your aircraft registration is what it is supposed to be. You may be very glad you did.