

Frequently Asked Questions (FAQ) - Certificates of Insurance in Aircraft Leasing

Sofema Online (SOL) www.Sofemaonline.com considers key features related to Insurance in Aircraft Leasing

What is a Certificate of Insurance (COI) in the context of aircraft leasing?

A Certificate of Insurance (COI) is a document provided by an insurance company that verifies the existence of an insurance policy. In aircraft leasing, it confirms that the lessee or lessor has obtained the required insurance coverage for the operation of the aircraft as stipulated in the lease agreement.

Who typically obtains the insurance in an aircraft lease agreement?

Insurance can be obtained either by the aircraft lessee or the aircraft lessor:

- **Aircraft Lessee:** Obtains their own policy and is the "named insured". The lessor may be included as an "additional insured".
- **Aircraft Lessor:** Obtains a policy where they are the "named insured" and the lessee is included as an "additional insured".

Why is it important to review the Certificate of Insurance before operating the aircraft?

Reviewing the COI ensures that the coverage aligns with the lease agreement and that the additional insureds are correctly listed. It helps to confirm that the coverage specified is indeed provided, avoiding situations where expected coverage might not be available when needed.

What common issues can arise with Certificates of Insurance?

Common issues include:

- Certificates that do not accurately reflect the policy terms or the lease requirements.
- Misunderstandings about who is covered and under what circumstances.
- Delays in receiving the actual policy, leaving parties to rely on potentially inaccurate COIs.

How can parties avoid issues with Certificates of Insurance?

- **Provide Lease Agreement:** Share the lease agreement with the insurance underwriter to ensure they understand the relationship and coverage requirements.
- **Review the COI:** Carefully review the COI for accuracy and completeness before operating the aircraft.
- **Communicate with Underwriters:** Engage in discussions with underwriters to explain the specific needs and coverage details required.

What should a COI state to confirm proper coverage?

The COI should explicitly state that the policy provides coverage for the operations of the additional insured. It should also list the specific operations, parties involved, and any particular conditions that apply.

What types of insurance coverage are typically required in aircraft lease agreements?

Typical coverages include:

- Hull insurance
- Liability insurance
- War risk insurance
- Loss of use insurance
- Additional insureds and loss payees
- Waivers of subrogation and indemnification clauses

How can comparing insurance quotes benefit aircraft lessees and lessors?

Comparing quotes from different providers helps ensure that the best terms and rates are obtained. It also allows parties to evaluate coverage scope, exclusions, premiums, deductibles, and the reputation and financial strength of insurance providers.

What should be included in the insurance clauses of an aircraft lease agreement?

Insurance clauses should detail:

- Coverage requirements
- Definitions of key terms (e.g., insured value, total loss)
- Procedures for claims and reporting
- Rights and obligations regarding policy changes or cancellations
- Remedies for breaches of the insurance clauses

How should insurance compliance be monitored throughout the lease term?

Regular checks and updates to the insurance coverage are necessary to account for changes such as modifications, repairs, or relocations of the aircraft. Monitoring includes ensuring renewals and extensions are handled correctly and keeping records of compliance for audits or reviews.

Why is seeking professional advice important in aircraft insurance?

Insurance involves technical and legal complexities. Consulting with aviation insurance brokers, lawyers, and risk managers ensures that policies are well-negotiated, legally sound, and comprehensive. These experts provide specialized knowledge and can act as intermediaries and advocates.

What should parties do if they are unsure about their aircraft insurance coverage?

If there is any uncertainty about coverage, it is advisable to consult with an aviation insurance professional who can review the policies and ensure that the necessary coverage is in place as per the lease agreement.

How does the type of lease agreement affect insurance requirements?

The type of lease (wet lease or dry lease) influences insurance requirements. In a wet lease, the lessor provides the aircraft, crew, maintenance, and insurance, whereas in a dry lease, the lessee is typically responsible for these elements, including obtaining insurance.

What are the implications of flying to high-risk areas on aircraft insurance?

Flying to high-risk areas or airports with challenging approach procedures can affect insurance coverage and premiums. Specific endorsements or additional coverage may be required to operate in these environments, which should be clearly outlined in the policy.

How do endorsements and waivers impact aircraft insurance?

Endorsements and waivers, such as waivers of subrogation and indemnification clauses, modify the standard terms of an insurance policy. These should be carefully reviewed to ensure they align with the lease agreement and provide the expected protection for all parties involved.

What steps should be taken if a COI does not reflect the expected coverage?

If a COI does not reflect the expected coverage, immediately contact the insurance provider to rectify the issue. Provide the lease agreement and discuss the necessary corrections to ensure the COI accurately represents the policy terms.

How does an aircraft lessee ensure compliance with insurance requirements throughout the lease?

An aircraft lessee should maintain regular communication with the insurance provider, keep detailed records of all insurance documents, and schedule periodic reviews to ensure ongoing compliance with the lease agreement's insurance requirements.

What role do insurance brokers play in obtaining aircraft insurance?

Insurance brokers specialize in finding and negotiating the best insurance policies for clients. They act as intermediaries between the lessee/lessor and insurance companies, providing expert advice and ensuring that the policies meet all necessary requirements.

What are the consequences of non-compliance with insurance requirements in an aircraft lease?

Non-compliance with insurance requirements can lead to severe consequences, including financial penalties, termination of the lease agreement, and potential legal disputes. It is crucial to adhere to all insurance obligations to avoid such outcomes.

What additional considerations should be made when insuring leased aircraft?

Additional considerations include evaluating the financial strength and reputation of the insurance provider, understanding the claims process, and ensuring that the insurance coverage is sufficient to protect against all potential risks associated with the operation of the leased aircraft.

Next Steps

Sofema Aviation Services (www.sassofia.com) and Sofema Online (www.sofemaonline.com) provides Classroom, Webinar and Online Training related to Aircraft Lease and Maintenance Reserves. Please see the websites or email Team@sassofia.com.

Please take a look at the following course - **Aircraft Leaseholder & Maintenance Reserve Insurance Considerations – Essentials – 1 Day** – for details see the following link <https://sassofia.com/course/aircraft-leaseholder-maintenance-reserve-insurance-considerations-essentials-1-day/>