

# Corporate Aircraft Use Soars: Know Your Risk

As the use of business aircraft climbs,  
 the potential for costly exposure needs to be managed

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Corporate aviation enjoys an outstanding reputation as a safe, reliable, and cost-effective means of transporting employees and clients. The number of companies operating business aircraft in the United States has grown more than 60% from 6,584 companies operating 9,504 business aircraft in 1991 to 10,661 companies operating 15,879 aircraft in 2003, according to the National Business Aviation Association (NBAA), the last year for which statistics are available. The uses of these aircraft are varied and include: passenger transport, power line and pipeline patrol, aerial surveys, heavy lift (lifting and placing large and/or heavy items such as commercial air conditioners), cargo transport, news gathering, and aerial filming. To ensure that they are protected from the exposures associated with flight operations, it is essential for companies to have detailed risk management procedures in place.

Most corporations do a very good job of managing exposures associated with owned aircraft, but focus less on managing exposures arising from the use of flight services provided by outside vendors. If not addressed properly, these exposures present a significant and potentially costly exposure.

Companies recognize the enormous convenience and productivity benefits from owning and operating corporate aircraft. Once a company acquires its own aircraft, however, the appetite for its use grows rapidly, sometimes outstripping its availability. Companies that find themselves in this situation often turn to outside vendors to provide supplementary capacity to aug-

ment their owned fleet. The challenge is not deciding whether or not to use an outside provider, but with the due diligence that must be taken before doing so. There are many reputable charter services, but taking the time to research these providers and having the proper risk management controls in place will greatly reduce exposure to potential losses.

Consider the following scenarios:

- An organization maintains a sales force that is responsible for territories that span several states. One of the sales professionals has a pilot's license and decides to rent an aircraft and fly to an appointment. In such a case, the primary liability limit on that aircraft is likely to be no higher than \$1 million. In a large organization with multiple subsidiaries and joint ventures, the risk management department may not always be aware of every exposure. In the event of an accident, is the underlying coverage adequate?
- A group of executives needs to attend a meeting on short notice and the corporate aircraft is unavailable. They decide to charter an aircraft and ask the travel department to make the arrangements. The department books a flight based on price, the same way they buy airline tickets. What is known about the qualifications of the charter firm? Its safety record? The experience of its pilots? Its insurance coverage?
- A senior executive wants to charter a business jet for a trip with his family.



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Instead of using the company’s own flight department, the executive uses an assistant to book the flight. The assistant contracts a familiar charter service which has been audited by the company’s flight department, but the service passes the flight on to another charter company which has not been audited.


These examples represent just some of the challenges a company can face when using non-owned aircraft. Even with the most carefully monitored risk management programs, oversights and errors in judgment can happen and can be costly. There are steps your organization can take to help minimize your risk:

- **Consider implementing restrictions.** Many organizations forbid the use of aircraft by employees who are

not employed as pilots. Others require that all flights be approved by the corporate finance department, risk management department or flight department.

- **Set minimum insurance standards for selecting vendors.** If your organization utilizes vendors to transport passengers, look at the liability limit carried by that vendor. Fairly high liability limits are still available to quality vendors. Make sure all vendors have supplied certificates of insurance naming your corporation as an additional insured with a waiver of subrogation in your favor.
- **Develop a concise, clear and comprehensive policy of how to select, monitor, and book charter services.** The policy should outline who is

authorized to contract charter service providers and what questions must be asked. The policy should require written approval from the company’s flight department on your choice of provider before each flight. Once in place, the policy should be reviewed periodically and revised as needed.

- **Get to know your vendors.** Find out if they are of the caliber that your organization would normally deal with. Consider having them audited by an outside firm. There are companies that are dedicated to auditing charter operators. The vast majority of medium to large reputable charter providers have been audited already by these firms.
- **Know your exposures.** Include aviation in your normal survey of liabilities and risks. Keep track of which staff members are traveling on business aircraft, where they are going and for what reasons. The more you know, the less chance you will have of being caught by surprise. 

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