

## Choosing the right insured value



Before buying hull insurance, you may wonder how much your aircraft is actually worth. Setting its value can be tricky. Our advice: no matter how much time you spent working on it, assess it as close as possible to its actual market value to avoid any unpleasant surprise in case of a loss.

In the NVAV Member dedicated insurance programme, Air Courtage set up a policy on an “Agreed Value” basis, which means that the insurer agrees to set the declared value shown on your insurance application as being the market value of the aircraft, and to settle this amount (less any applicable deductible) in the event of a total loss.

This amount is also used to determine whether your damaged aircraft is a physical or economical total loss. A damage is deemed to be an economical total loss when the cost of repair is equal or higher than the declared value of the aircraft.



There are other reasons why Air Courtage strongly encourages you to insure your aircraft for what it would cost if you had to replace it with an identical aircraft (Make, model and year) rather than considering the price you have paid for it, as illustrated in the following scenarios:



Mister X spent over 5 years building his RV8 and thinks that the insured value should reflect the work performed on his aircraft. Therefore, he declares a hull value of £80,000, while similar Vans are sold on the market for £35,000! By over-insuring the aircraft, Mister X is paying a higher insurance premium than necessary.

One day he suffers a hard landing, causing significant damage to the aircraft. The repair price is estimated to be £38,000. This price being well below the Agreed value, the insurer pays for the price of the repairs, less the deductible (under the DIY option only €500), whilst it should have been a Total Loss if the declared value was in line with the market value of the aircraft. As we know, repairs take time and mister X will not be able to enjoy his aircraft during this period... not to mention the decreased market value resulting from the accident, should Miter X consider selling it once repaired.



Mister Y thinks that he needs to reduce his insurance budget. He therefore decides to underinsure his Europa aircraft for an agreed value of £5,000, while it is worth £35,000. What he does not realize is that underinsuring his aircraft could lead to consider it as a "total loss" while it could have been repaired! If the repair amounts £10,000, the Insurer will consider that the Aircraft is a Total loss, pay the Agreed Value of £5,000 less the deductible, and keep the aircraft as salvage!

For those of you who have chosen the ***Do It Yourself*** option, we state in the policy wording that "the aircraft is deemed to be a total loss if spare parts to be replaced amount 75% of the Agreed Value of the aircraft". Thanks to this clause, although estimated loss amount does not include labor cost, your aircraft could be considered as a Constructive Total Loss, whenever damage exceeds 75% of the Agreed value!

Assessing the value of your aircraft can be tricky. If you need assistance or wish to discuss this topic further, please do not hesitate to give us a call at **+33 427 46 54 00**

Or our own local NVAV representative **Peter van den Heuvel** ([verzekerer@NVAV.nl](mailto:verzekerer@NVAV.nl))

