September 2015

GENERAL AVIATION

Observations Related to Liability Insurance Requirements and Coverage for Aircraft Owners

GAO Highlights

Highlights of GAO-15-740, a report to congressional requesters

Why GAO Did This Study

A substantial proportion of all domestic aviation accidents and fatalities that occur each year involve GA, which includes all aviation except commercial and military. Under federal law, the Secretary of Transportation is responsible for ensuring that commercial air carriers carry liability insurance. However, no such federal requirements exist for GA aircraft owners. In some cases, accidents involving uninsured or underinsured GA aircraft owners have occurred where individuals (passengers or third parties) who incurred losses received little or no compensation.

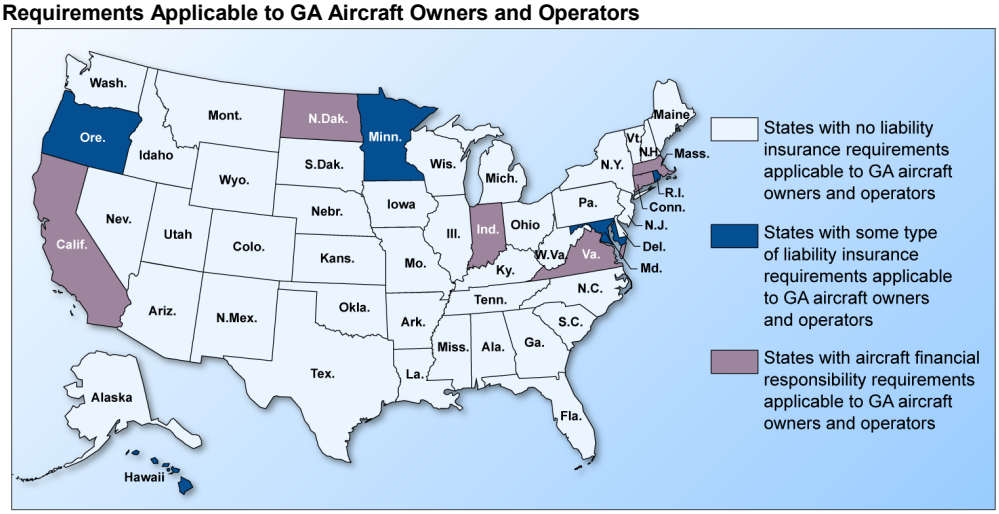
GAO was asked to look at the feasibility and costs associated with adopting federal liability insurance requirements for GA aircraft owners. This report examines (1) existing liability insurance requirements for GA aircraft owners, (2) premiums for GA liability insurance, and (3) factors that selected stakeholders cited which should be considered in determining whether to adopt a federal liability insurance requirement. GAO surveyed aviation officials in 50 states, analyzed state statutes identified in the surveys, collected insurance premium information from three nationwide aviation insurance brokers, and interviewed a diverse group of 73 aviation stakeholders—including FAA and NTSB officials, GA associations, and attorneys representing accident victims—selected based on GAO's prior work that identified the GA associations and recommendations from FAA, NTSB, and other aviation stakeholders.

View GAO-15-740. For more information, contact Gerald L. Dillingham, Ph.D. at (202) 512-2834 or dillinghamg@gao.gov.

What GAO Found

Based on GAO's 50-state survey of state aviation officials and analysis of state statutes and regulations identified by such officials, the vast majority of states do not have liability insurance requirements for general aviation (GA) aircraft owners and operators (i.e., pilots). As of April 2015, 11 states have some variation of a liability insurance requirement or aircraft financial-responsibility requirements, which require GA aircraft owners to demonstrate financial ability to cover potential losses incurred in an accident (see figure below). Minnesota is the only state that requires almost all GA aircraft owners to have a minimum liability insurance coverage: the required minimum coverage is $100,000 per passenger seat.

States with Minimum Liability Insurance Requirements or Aircraft Financial-Responsibility Requirements Applicable to GA Aircraft Owners and Operators



Sources: GAO analysis of survey responses and state statutes and regulations identified in survey responses; and Map Resources. | GAO-15-740.

Annual premiums for liability insurance vary depending on the type of aircraft insured and a pilot's experience. For example, three nationwide brokers GAO contacted noted that an annual premium for a common 4-seat GA aircraft, a Cessna 172, can range from $200 to $550 for a policy that provides $1 million in coverage per accident, with a limit of $100,000 for each accident victim.

GAO interviewed 73 aviation stakeholders who most frequently cited five factors that they felt should be considered in determining whether to adopt a federal liability insurance requirement. Understanding the extent of the problem—both the number of GA aircraft owners who are uninsured and underinsured and the extent to which accident victims received little or no compensation from such owners—was one such factor. However, data on the extent of this problem are not available and, according to FAA and NTSB officials, could be challenging to collect. Four other factors cited include: (1) costs to victims and the public in the absence of liability insurance; (2) costs to the GA community if such a requirement were adopted; (3) issues related to the implementation and administration of such a requirement; and (4) the potential public-safety benefits.