

GETAC Air/EMS Committees

February 12, 2007

From: Larry Palazzolo

To: GETAC Air Committee Co-Chairs

Subject: RULE §157.12/13 Insurance Coverage Limits

1. Existing wording within 157.12/13 presents minimum coverage amounts in a way that is known within the insurance industry as ‘split limits.’ A specific amount is designated for each coverage category (bodily injury and property damage), further defined by a ‘per person’ and a ‘per occurrence’ basis.
2. A positive aspect to presenting limits in this fashion is that it is very definitive and unambiguous. For the insured, there is no doubt about their coverage limits. Specific amounts are listed and available per the policy. For the insurer, using split limits serves to limit their exposure and they are required to respond only up to the indicated amount per category and no more.
3. The aviation insurance industry has moved away from using ‘split limits’ and most underwriters will not even offer them anymore. Instead, they write policies that offer ‘combined single limits’ (CSL)—one amount that is used to cover claims for both Bodily Injury and Property Damage. While I can not tell you why this change came about I can tell you that I believe it is a good practice because the injured party benefits as well as the insured entity. Let me give you an example:
 - a. Bodily Injury occurs due to the operation of an EMS helicopter/airplane. Per the existing rules, an injured passenger is limited to one million dollars regardless of the extent of their physical injuries, lost income, etc. If there are more passengers, they will share the three million limit but no single passenger will get more than one million. If one million is not enough, there could be litigation to get more money outside of the insurance company--from either the operator as an entity or, perhaps, from individuals that own or manage the operating company.
 - b. With a CSL and the same scenario, instead of only one million being available per passenger, the full three million could be used if necessary. If there is more than one passenger, each could access what they need but in no case could their combined needs exceed the CSL. One injured passenger could require two million while the other two (or more) only need to split lesser amounts. Each gets what they need without bumping into limits imposed by the policy.
 - c. The same holds true for Property Damage. Perhaps there are no injuries but severe property damage as the result of an accident. Instead of being limited to a half million dollars the whole three million would be available if necessary. Once again this could

preclude litigation to seek un-reimbursed amounts exceeding what would only be available with split limits.

4. Policies are already written with CSL amounts with regard to Bodily Injury and Property Damage. Current CAAMS rules utilize this wording as an insuring requirement. *I recommend we change the wording within 157.12/13 to reflect current industry policy language.*

5. **Existing wording within 157.12/13.**

(c) ... provider shall meet the responsibilities of EMS providers as in §157.11(l) of this title (relating to Requirements for an EMS Provider License) and in addition shall:

(1) submit proof that the rotor-wing aircraft provider carries bodily injury and property damage insurance with a company licensed to do business in Texas in order to secure payment for any loss or damage resulting from any occurrence arising out of or caused by the operation or use of any of the certificate holder's aircraft. Coverage amounts shall insure that:

(A) each aircraft shall be insured for the minimum amount of \$1 million for injuries to, or death of, any one person arising out of any one incident or accident;

(B) the minimum amount of \$3 million for injuries to, or death of, more than one person in any one accident; and

(C) the minimum amount of \$500,000 for damage to property arising from any one accident;

6. **Recommended wording within 157.12/13.**

(c) ... provider shall meet the responsibilities of EMS providers as in §157.11(l) of this title (relating to Requirements for an EMS Provider License) and in addition, *in order to secure payment for any loss or damage resulting from any occurrence arising out of or caused by the operation or use of any of the certificate holder's aircraft, shall submit proof that the:*

(A) *provider carries hull liability insurance for bodily injury and property damage with a company licensed to do business in Texas;*

(B) *that such liability insurance provides coverage for a combined single limit of no less than \$3,000,000.*

7. I will make this recommendation at our forthcoming meeting.

Respectfully,

Larry Palazzolo