

Fly Low, Fly Safe

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Helpful Steps to Plan for the Upcoming Season

Here are important steps you can take to plan for the 2010 season. These steps can be implemented to help mitigate your risks and continue to improve the risk management of your operation.

1. Remember to always review your current policy limits and commodity prices with your aviation insurance agent/broker. Make sure you are comfortable with the limits you have compared to your property damage exposure.
2. Review and contact the operators you will

be working with or that you will call in to work with you this upcoming season. This important step will confirm you know who the pilots are and familiarize you with the aircraft they will be operating, thus presenting an overall picture of your operation. Obtain a certificate of insurance from each operator in order to confirm they have coverage. You will also need a certificate in order to avoid paying service fees on workers' compensation paid to independent contractors.

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Another Year of Workers' Compensation Coverage

One recurring headache we know all of our commercial customers have to deal with is the "pleasure" of the annual work comp audit. Whether your audit is a self audit, or you get a visit from a stranger that demands to look at all of your business payroll records (commonly referred to by me as a "business enema"), the process is rarely fun and usually nerve racking at best.

In the Aerial Application business, the most common reason for anxiety comes from the use of independent contract pilots, some with their own aircraft and some flying your aircraft. With a little planning ahead though, you can be prepared and not receive the shock of an audit "adjustment" for contract labor wages that you were not planning to pay work comp on.

The people who review the wage audit material, when looking at contract wages paid and filed with a 1099, are determining if you can prove that the pilot/operator is a true independent and separate service provider.

There are a few items that should make it easy to prove the independent status of these individuals or companies:

1. A Certificate of Insurance from the pilot/operator's own work comp policy. This is usually the most foolproof form to show the independent status of the pilot providing the contract services. Not all operators have this though, especially if they are the owner and sole employee of their business. As owners, they are not required to carry work comp on themselves.
2. A Certificate of Insurance from the pilot/operator's Aircraft Insurance Policy. This will show the business has a plane for Aerial Application with another business name and that the independent contractor is purchasing liability protection. This works well for pilots/operators who are the owner and sole employee and usually sufficient to prove the independent status of the pilot.

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Helpful Steps (cont'd.)

3. Review any contracts you have with any farmers, seed companies and chemical suppliers to confirm you have the right coverage to comply with what they are requiring in those contracts.

4. We suggest that you have a winter review with all of your staff and pilots. This provides an opportunity to discuss the challenges and successes of the previous season. This would allow the time to implement any changes or provide training opportunities to make your operation more efficient and safe this upcoming season.

5. As many of you know, aircraft values have changed dramatically over the past few years. However, most aircraft values have stabilized for Ag Aviation. It is still important to review aircraft values if you have made any upgrades on your engine, equipment, GPS, spray boom, nozzles or other items that could have caused the aircraft values to change.

6. Make sure you participate in the PAASS Program and Operation S.A.F.E. as well as your state associations and/or NAAA conventions. This will keep you up to date on issues affecting the industry, and aids in networking with other operators who may help you in the future. There is also a price incentive for participating. Many aviation insurance companies insuring Ag operators offer discounts and preferred rates to participants.

—Alison Hunter and John Worthing



Annual Premium Fully Earned After 120 Days

Many operators have had prior experience with the Ag short rate table when they have requested that an aircraft be deleted off of its existing policy. They are surprised to discover that there is no return in premium after 120 days. I would like to further explain what an Ag short rate table is and why it is used by the aviation insurance companies that insure aerial applicators.

The Ag short rate table is the tool the insurance companies use when a customer, engaging in aerial application,

makes certain changes to their policies. Some changes include the deletion or addition of an aircraft located on the aircraft schedule of the policy. Since insurance premiums are earned on a daily basis, this table can be used to calculate the fully earned insurance premium.

Here is an example of an Ag short rate table, which can also be found in your policy.

Ag Short Rate Table	
DAYS POLICY IN FORCE	MINIMUM EARNED PREMIUM
Less than 31 days	33 1/3% of annual premium
31 days or more but less than 61 days	60% of annual premium
61 days of more but less than 91 days	75% of annual premium
91 days or more but less than 120 days	85% of annual premium
120 days or more	100% of annual premium

An example of how to use the Ag short rate table is if an aircraft is deleted from the policy 70 days after the policy exception date, then 75% of the premium has been fully earned. Therefore, there would be a return of 25% of the total premium.

The main reason an aviation insurance company uses an Ag short rate table is the result of the aerial application business being a seasonal business. Prior to its use, many operators were only purchasing insurance for the few months that they were spraying. They would then cancel the policy and request a refund from the insurance companies for the unearned premium. Many claims were being reported to the insurance companies, even after the season was over and the policy had already been cancelled, especially for drift claims. With the applicators canceling their policy early, the insurance companies did not have the cash reserves to pay for these drift claims after a refund was issued. The Ag short rate table was the solution to this problem the insurance companies faced. This would ensure that the insurance company had the necessary reserves to pay the claims every year.

—Alison Hunter

Central Florida Ag Aero, LLC

Central Florida Ag Aero, LLC is ready to offer quality simulator training to agricultural pilots at their training facility located in Orlando, FL. Their team is led by agricultural airplane simulator pioneer Andy Montague, who together with the rest of his team brings decades of experience to the company and a wealth of expertise in all facets of agricultural flying. Their simulator is the only serviceable one of its kind in the world. For further information visit www.CentralFloridaAgAero.com, email contact@CentralFloridaAero.com or call (352) 406 6793.

—Peter Torrell and Alison Hunter



Another Year (cont'd.)

3. A Certificate of Insurance from a General Liability Insurance Policy that the pilot/operator may have. Again, this is similar proof as the aircraft policy certificate, and shows that the pilot/operator in question has paid his own liability protection and his business. Again, this is "usually" enough to prove independent status.

4. Contract for Pilot Services. This is more rare due to the need to talk to, and pay, a lawyer (bad enough you have to deal with an insurance agent, let alone bringing lawyers into the mix—just kidding, Jeff), as you need to confirm that the contract will comply with the laws of the state you reside in, and will be issuing payroll. These contracts do work though, as they clearly spell out the conditions and limitations of each party to the contractual relationship.

If you can use the winter to contact the other pilots/operators you will or may be

farming work out to in the coming season, this is a great time to get one of these four items on file to be ready for that next dreaded work comp audit. This will be a huge help for the person in your operation that has to deal with the "business enema" each year, and will take the worry away of an audit "adjustment" surprise.

If for some reason you still run into trouble with a work comp audit, please call us and we'll help you through correcting an audit mistake. We have had very good success in correcting problems of an "audit gone bad." With the premium rates that are charged for Aerial Application pilots, no one should be expected to just roll over and pay because the auditor said so. We are your advocates in this realm, and we are ready to help. Thanks for reading, and best wishes for a safe and successful 2010.

—John Worthing



NationAir representatives John Worthing (NE), Alison Hunter (MN) and Peter Torrell (FL) attended the 2009 National Agricultural Aviation Association annual convention in Reno, Nevada.

We are Committed to Ag Aviation!

Good news! Attendance at the national convention increased in 2009 for both exhibitors and attendees. A general overview of the convention is that hundreds committed to the industry came out to Reno, NV December 6 - 10 to show support and willingness to increase their knowledge base of Ag aviation. The convention provided a great opportunity for us to visit with our loyal customers as well as explore new business opportunities. Thank you to all of our business associates and customers for stopping by our booth!

NationAir Aviation Insurance has been insuring aerial applicators for over 30 years. Our knowledge of the Ag business, combined with our large nationwide presence, gives our clients the best of both worlds. We are very capable in providing quotations for all of your insurance needs, including fixed wing and rotor wing aircraft engaging in Aerial Application, ground rigs, property, workers' compensation, general liability, inland marine and pollution policies. Contact us if we may assist you in any way!

—Alison Hunter

About NationAir

NationAir Aviation Insurance has been committed to the agricultural aviation industry for over 30 years.

A unique business like agricultural aviation requires specialized insurance knowledge. Liability insurance against claims alleging bodily injury, or property damage arising from normal business operations is just the beginning. There are other unique aspects of coverage required to successfully operate an agricultural aviation business.

Fortunately, NationAir has specialized in this area for decades, and understands all the details and issues related to the aerial applications business. Our experience and knowledge in this niche enable us to be effective advocates with the insurance underwriters on behalf of our agricultural aviation clients. We'll help you find the right coverage at the best rates possible, and help you review your coverage periodically to make sure it keeps up with your changing business needs.



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