

[Date Insured Had Possession and Title to Aircraft, Not Conditional Sales Agreement, Determined When Insured ‘Acquired Ownership’ Triggering Deadline to Report Aircraft to Insurer](#)

Aerospace Insurance Update

February 2011

By: [Andrew Houghton](#)

U.S. District Court, Middle District of Alabama

In *National Union Fire Insurance Company of Pittsburgh, PA v. Eagle Aviation Academy, LLC*, No. 1:10-CV-108 WKW, 2010 WL 4867644 (M.D. Ala. Nov. 23, 2010), the U.S. District Court for the Middle District of Alabama determined that the insured, Eagle Aviation, was not entitled to coverage for physical damage to its Bell UH-1 Huey helicopter because it had failed to report the aircraft within 30 days after it “acquired ownership” under a conditional sales agreement. Holding that the insured acquired ownership when it had taken possession of the aircraft and executed a bill of sale, the court rejected the insured’s argument that it did not acquire ownership until months later when it had agreed with the seller that all conditions of the sale had been met.

Eagle Aviation had entered into a conditional sales agreement in April 2009 to exchange its Hughes OH-6 helicopter for the seller’s Huey and took possession of the Huey that month. In August 2010 the parties executed an FAA aircraft bill of sale and Eagle Aviation applied for registration of the Huey. Nevertheless, it was not until December 2009 that the parties agreed that the conditions of the sale had been met and that they would transfer title after Christmas. According to Eagle Aviation, the bill of sale executed in August was only for the purpose of obtaining an airworthiness certificate. On December 23, 2009 the Huey’s engine failed during a hover check, resulting in a hard landing and physical damage. On the same day, Eagle notified National Union of the damages and that it had acquired the Huey.

The policy provided coverage for newly acquired aircraft if reported within 30 days of when the insured “acquired ownership.” Thus, for there to be coverage for the damage to the Huey sustained on December 23, Eagle Aviation must have acquired ownership on or after November 23.

Applying Alabama law, the court noted that possession of property and title documents both are *prima facie*, albeit not conclusive, evidence of ownership. The court found that because Eagle Aviation exercised dominion over the helicopter and held title to it, there was a presumption that it owned the helicopter as of August 10. The court further concluded that this presumption was in accord with the intent of the policy and with how a person of ordinary intelligence would interpret “acquired ownership.”

Related Practices:

[Aerospace Coverage](#)

[Insurance Practices](#)