

## **A Guide to Flying Licence Protection Insurance**

**Updated 1<sup>st</sup> April 2017**

### **Overview**

This is probably the most important cover that an airline pilot can have. Most pilots are only too aware of how relatively insignificant health problems, which would not stop a desk-based employee working, can result in suspension of their Licence. Whilst critical illness policies are available, we have found that they have gaps in their cover which mean that they may not pay out if your licence is suspended. Over the years Flying Licence Protection Insurance has evolved to meet the changing needs of aircrew. There are two types of cover, one offering a lump sum if your licence suspension is long term and monthly benefits for both short and long term suspensions. You can choose either cover or a combination of the two. The benefit period for the monthly benefits is variable, as is the waiting period, which is how long you have to be unfit before qualifying for the benefits.

This insurance has helped many pilots who have had their licence suspended, with over £4 million being paid in claims in the last 5 years.

### **The insurance company**

The cover is offered through Flightcrew Risk Solutions PCC Limited, a Guernsey based insurance company wholly owned by BFS. Specifically, the policy is issued through a cell in this company named Cell BF4. This is a protected cell, in that other cells within the insurance company cannot have an impact on the financial viability of this cell.

It has never been the intention of BFS to become an insurance company, but to provide continuity and secure the long-term future of the scheme. BFS has owned BF4 for a number of years and to secure the members' interests BFS purchased the whole insurance company in 2008.

Even with household names, whilst the only name you see on the insurance paperwork is theirs, behind the scenes they may have covered all or part of the risk with re-insurers which is the case with the PCC. So whilst your dealings are with the insurance company, in the event of a claim it may be that a re-insurance company plays a large part in the claims process, and also the shaping of the terms of the cover offered. The re-insurance arrangements will change from time to time, and the PCC monitors the financial standing of the reinsurance support to the programme.

## **How much cover**

This is a question we are frequently asked, and if you have completed one of our fact find forms and are a BALPA member, one of the BFS advisers will be pleased to make a written recommendation for you. Often however it is the cost that may determine the amount of cover you take out. As a general rule of thumb you should have sufficient cover to be able to pay off those liabilities, such as a mortgage, which you will be unable to meet from your post disability income. There are other factors that you also need to take in to account. You may feel you need a sum to act as a cushion to cover a period of retraining; always assuming you are fit enough, and this is where you may consider some monthly benefit cover appropriate. If you are young and just starting out on what will hopefully be a very lucrative career, you may want substantial compensation if illness or injury robs you of this opportunity.

## **How the policy operates**

This is an annually renewable contract, and at each anniversary the premiums increase to reflect that you have moved up to the next premium rate. The overall premium schedule itself may alter from time to time, usually as a result of the claims experience seen on the contract, but these changes have been infrequent. You will be advised in advance of the policy anniversary, on an annual basis, of the new premiums for the following year. You then have the opportunity to accept the new terms or ask for them to be modified.

Although this is an annually renewable contract, and the terms of the scheme can be amended by the insurers at renewal, no individual will be refused renewal solely on the grounds of ill health.

## **Claims**

The EU medical standards current at the time of your claim will be used by Flightcrew to assess whether you are fit to fly. If you pay the premiums out of your own pocket, then under current legislation both the lump sum and the monthly benefits will not be subject to UK tax. If you have come to an arrangement that your employer pays the premiums which are not accounted for as a benefit in kind under P11D, then you could jeopardise this tax free status. If this is the case, please contact BFS as we may have a better solution for you.

## **Psychological cover**

We believe this is an important part of this type of cover but some conditions are likely to lead to a long term suspension and others to a shorter suspension of your licence and the policy terms now reflect this experience. A mild psychological illness should be treatable enabling a return to work so this is excluded from the lump sum cover. It is covered under the monthly benefit plan with the benefit period restricted to 12 months, again reflecting the anticipated treatment period before a return to flying duties. More serious psychological illnesses are covered under both the lump sum and monthly benefits. A full list of the conditions covered is shown in the policy wording.

## **Application process**

This is on line through the Flightcrew web site and once the application has been assessed by the underwriters based in Guernsey, you will be advised of any further information required, or alternatively advised it is ready to start. Cover will not be in force until the start date, and until you have accepted Flightcrew's terms.

## **Benefits of BALPA membership**

The premiums attract a discount for a member, which is available all the time your membership is current. Non-members will pay an additional 10%.

## **Regulatory environment**

As the insurance company is based in Guernsey, it is regulated by the Guernsey Financial Services Commission and as such does not benefit from the UK protection offered by the Financial Services Compensation Scheme or The Financial Ombudsman. There is however a Medical Disagreements procedure and an Arbitration procedure detailed in the policy document.

BFS is regulated by the Financial Conduct Authority for General Insurance.

## **Help**

Whilst Flightcrew will liaise with you direct, if you have any general queries such as how much cover you should take out, please contact our dedicated Flying Licence Administration on 020 8476 4141, or by e-mail [FLP@balpa.org](mailto:FLP@balpa.org) .



**BALPA Financial Solutions Limited is authorised and regulated by the Financial Conduct Authority**

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