

## **A Guide to Trainee Pilot Insurance**

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

### **Overview**

We offer two policies under this insurance, one which covers you for loss of medical and one for life cover. If you are undertaking commercial pilot training you will have had to undergo a medical before the training can commence, as strict health requirements are applied to commercial pilots throughout their careers. A relatively insignificant health problem, which would not stop a desk-based employee working, can result in your medical being suspended.

A traditional insurance solution such as Critical Illness cover is not suitable for Trainees or Commercial Pilots. Trainee Pilot Insurance is designed to help you overcome the financial problems associated with your medical being suspended, either short term or on a long term basis to repay your training debts or to tide you over until you are fit again. It has been specifically tailored to your needs.

We endeavour to offer as full cover as we can, and the Flightcrew policy has features that are not offered by some other providers, such as cover if you have a restriction which means you cannot fly solo and complete your training and also cover if you suffer from illness that means you have to pay for remedial training to complete your course.

Once you have qualified and secured employment as a commercial pilot, this cover will automatically change into a Flying Licence Insurance policy which is designed to cover you for the rest of your career, and is adaptable to your changing circumstances. This insurance has helped many pilots who have lost their licence either temporarily or permanently, with over £4million being paid in claims in the last 5 years.

There are two types of cover; one offering a lump sum if your medical is suspended for a long time, and monthly benefits for if your medical is suspended either for a short or long time. 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.

The life cover is so that you can leave money to someone who will be out of pocket on your death.

### **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 the medical cover operates**

You will be taking out a standard Flying Licence insurance policy, the terms of which will be amended temporarily until you secure a job with an airline. Full details can be found in the Key Facts document on the Flightcrew web site.

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.

#### *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 flying 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.

### **How the life cover 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, and you will 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.

### *Ownership of the policy*

You may wish someone else to own the policy, which is taken out on your life. Care needs to be exercised as they need to have an 'insurable interest'. It is assumed that a spouse or civil partner has an insurable interest in their partner, but other family members do not. It is common for trainees to have loans from their parents, or perhaps a loan secured on their property, and there is a desire for the loan to be repaid in the event of your death. This is fine, as you can have a parent as the owner, where they can show a pecuniary interest. However, if you are in the fortunate position that your parents have given you the money on the understanding that you pay them back 'as and when' without a formal loan agreement, then you have no insurable interest as the basis of the transaction is that of a gift.

Why is this important? Well, the majority of trainees will not have a will, so the proceeds of the life policy may not go to where you think. The rules of intestacy come into play, and these are different dependent where you live. This link will give you more information:-

<https://www.gov.uk/inherits-someone-dies-without-will/y>

### *Cancellation of the life cover*

This cover has been specifically arranged as our experience is that mainstream life insurers will substantially increase your premiums because you are a trainee. Once you have secured a job with an airline, you should be able to obtain cheaper cover from one of the mainstream life insurers and therefore we suggest that you do so, and then cancel this part of your cover.

### **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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