



A Guide to Flying Licence Protection Insurance

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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 them losing 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 you have lost your licence. 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 is lost permanently and monthly benefits for if your licence is suspended either temporarily or permanently. 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 lost their licence either temporarily or permanently, with just under £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 has now purchased the whole insurance company.

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. In the unfortunate event of an approved claim, if it is for monthly benefits then these will be paid on behalf of the insurer by BFS, whereas the insurer will pay a lump sum benefit direct. 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 permanent loss and others to a temporary loss of 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 available upon request.

Application process

When you have completed and returned the application, it will need to be assessed by the underwriters based in Guernsey, and you will be advised when it is ready to start, although you can opt to have the policy start as soon as possible, assuming normal acceptance. If

however you have an exclusion applied, we will come back to you, prior to the policy commencing, detailing the endorsements. The completed application should be returned to BFS and your cover will not be in force until we advise you that you have been accepted.

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 Services Authority for General Insurance.

How to apply

All administration is carried out from the BFS offices, and any administration queries should in the first instance be addressed to Flying Licence Administration on 020 8476 4056. Alternatively we have set up a dedicated e-mail address FLP@balpa.org.



BALPA Financial Solutions Limited is authorised and regulated by the Financial Services Authority

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