

How Pilots Can Avoid the Most Common Mistakes When Purchasing Life Insurance

This report is designed to better inform pilots of the life insurance buying process, make it easier, and help save money.

Purchasing life insurance as a pilot can be complex as your flight activity and experience create special challenges in life insurance underwriting that is not faced by the average consumer. This guide will help you navigate through these pitfalls.

Pilot Insurance Center has provided thousands of pilots individually underwritten life insurance in all categories of aviation from students to astronauts. Following these simple tips could help you save significantly on your life insurance premiums and give you the peace of mind knowing that you have provided the correct coverage for your family, business, or estate needs.

When was the last time you reviewed your current coverage? If you answered over 3 years ago that is too long. **Three of the biggest mistakes regarding life insurance are found in these 3 questions:**

Do you have enough coverage to fit your needs?

- ▶ New jobs, homes, growing families, etc. increase the need to protect debt and income obligations.
- ▶ A recent study by LIMRA shows that:
 - Only 44 percent of U.S. households have individual life insurance. This is a 50-year low.
 - Half of U.S. households (58 million) say they need more life insurance – the highest level ever.
 - Among households with children under 18, arguably having the greatest need for life insurance, 11 million have no life insurance coverage.
 - Even affluent households (\$100,000+ income) lack sufficient life insurance. One-third say they do not have enough coverage.

Do you have the right type of policy to fit your needs?

- ▶ Many people purchase policies that are too short term to meet their needs. The most common of these mistakes is people purchase a 10 year term when they should have purchased a longer term plan such as a 20 year plan. Purchase a policy with a little

longer guarantee than you are planning calls for will provide a comfort zone in case it takes longer to reach your goals. You can allow a policy to lapse early without penalty. Otherwise, if you have to replace an expiring policy when you are older you will pay significantly more than had you purchased the longer term plan initially.

Do you have the correct beneficiaries on your policy?

- ▶ Many policies are payable to ex-spouses, do not include children born after the policy was purchased, have not changed over to a trust, etc.

The three year policy review and checkup is an important part of your planning. Gather all of your current life insurance policies and contact Pilot Insurance Center. We will review all of the provisions, riders and conversion options of your coverage and verify with you that your coverage provisions are sound.

12 Tips For Pilots Buying Life Insurance

- 1 Compare Rates** – Life insurance rates can vary dramatically between insurance companies of similar financial ratings and for the same coverage. For example, a healthy 45-year old purchasing a \$500,000 20-year level term policy from Company A would pay an annual premium of \$615 while the same coverage from Company B would cost \$895 annually. Both of these policies provide the exact same coverage and premium guarantee period. Over the 20 year life of the policy that is a difference of \$5,600.
- 2 “Aviation Exclusion Rider”** – Make sure your policy does not have an Aviation Exclusion Rider. This rider will void your coverage if you were to die in a General Aviation accident. We are shocked at the number of pilots we find each year that unknowingly have this exclusion. If your policy is a group plan or issued through your employer the chances are very good it has this exclusion. Also, many older policies were generally issued with an aviation exclusion.
- 3 Pay Your Premium Annually** – Paying your premium annually can save you money. Life insurance companies don't simply divide the annual premium into 12 monthly premiums. Instead, they factor it, charging a finance fee (5-7%) for anything less than an annual payment. For example, a \$1,505.00 annual premium would factor monthly to 133.95 or \$1,607.40 annually. That is a \$102.40 surcharge each year.
- 4 Choose an Agent that Specializes in Your Underwriting Needs** – The fact that you are a pilot makes finding the right coverage at the right price more of a challenge. Having an

agent who understands the type of plane you fly, your years of experience and type of certificate you hold is very important. This expert agent will demonstrate a better understanding of aviation underwriting guidelines for life insurance companies and know which carrier will provide you the best rates based on your flying activity. At Pilot Insurance Center our expertise and experience with aviation underwriting has allowed us to serve pilots better than non-aviation oriented agencies and provide significant premium savings to our clients.

- 5 **Consolidate Your Coverage** – Life insurance is sold in bands meaning the more coverage a consumer buys the cheaper it is on a “per thousand” basis. Not only does the client get the break in saving fees but mortality rates can also be lower. Therefore it is much less expensive to purchase a single \$500,000 policy than five individual \$100,000 policies.
- 6 **Work with an Agent that has Influence** – The agent you choose can greatly affect your approved rate and the premium you pay. Underwriting exceptions are made every day for agents with a strong relationship with the insurance carrier. For example if you were five pounds over the company’s published guideline but the agent has a good relationship with the company’s underwriter who may give them the rate for five pounds lighter. The underwriter knows the agent provides good complete information and he constantly produces for them. They will often make an exception and improve your underwriting class. If you have a medical condition – even a minor one this becomes especially important.
- 7 **Preferred May Not Really be Preferred** – Many carriers play the name game when it comes to premium classes. Life insurance companies and agents want you to feel special. They want to market each rate class as though it is the best rate available and this may not always be the case. For example, a carrier may have three different “preferred” rates covering 60% of the healthy population of insureds while a standard rating may be for the next 20% and the remaining 20% with the poorest health will be rated or declined. It is important to have your agent explain and compare rate classes.
- 8 **Avoid Costly Riders** – Normally “riders” to life insurance policies are not a good deal for the consumer but highly profitable for the insurance company. For example, the cost of adding an Accidental Death Benefit rider can be close to the cost of full coverage insurance – but the chances of you dying in an accident are statistically very low. Furthermore, why does your family need more money if you die accidentally? You are better off purchasing the amount of full coverage life insurance coverage you need.
- 9 **Understand Your Conversion Privileges** – If you currently have Term insurance, see if your policy gives you the right to convert to a permanent plan regardless of your health. This could be a very important consideration years from now. Some term policies may be less expensive but have much shorter conversion periods. Paying slightly more for a long conversion period is nearly always a better decision.

- 10 Purchase the Right Type of Policy** – Understand and compare the differences between term coverage and permanent life insurance and determine which type of coverage meets your needs. Term is not always less expensive than permanent insurance. This is often the case if you are over age 60.
- 11 Be Prepared for the Insurance Exam** – The insurance medical exam is a key measure for the underwriters to determine your premium class. They take this to be a snapshot of your health. Height/Weight underwriting is critical and being at an ideal weight for your build will not only likely improve your lab results for a better rate class but also provide you a better cost of insurance. Also fasting 8 hours before your medical exam, avoiding big cholesterol laden meals, alcohol, and cigars the night before your exam can affect the exam results and your underwriting class.
- 12 Make Adjustments as Needed** – Over time your life insurance needs will change with life's events –married, divorced, children, new home, new job, etc. Again, reevaluating your life insurance coverage after a major life change or every few years is a good practice to ensure your coverage meets your needs.

Contact Information

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