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Life Insurance on Pilots: How to Get the Best Offer

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If you're like most agents, at some point you may work with prospects who need life insurance but pose a special challenge because they are pilots. This sale calls for a bit more time and attention to detail to make sure you provide your client the best rate and service available. Rates between carriers vary drastically, and you need to know where to look and how to present the case to best serve the client. Often the lack of information can result in a frustrating transaction for both the agent and the consumer.

The most common complaint I hear from pilots is that their case is misquoted. During the initial interview, they provided the agent with all the information requested. They get a quote and agree to the premium. After enduring a physical exam and a 45-day application process, they are offered a policy for a 30% higher premium because of aviation. Their typical reaction is, "I told the agent up front that I fly."

Home office underwriters very rarely get special training in assessing aviation risks and tend to be conservative when underwriting the unknown. But if the case is prepared and packaged correctly, it can help the underwriter to understand and evaluate the risk, and you as the agent will be able to get the best offer for your client.

Another problem is created when an insurance carrier takes the easy way out and puts an aviation exclusion rider (AER) on the policy. We often get calls to rewrite insurance when the pilot discovers the policy has this rider. This can become a real horror story when the beneficiary discovers the policy will not pay. Even though most carriers require the insured to sign an amendment when an exclusion rider is issued, all too often neither the insured nor the beneficiaries fully understand the effect of the rider.

Most agents think that an airline pilot flying for a major carrier on scheduled routes is the easiest type of pilot to write. After all, most companies give these pilots their best premium class. This "easy sale" can quickly become complicated, however, because many of these pilots have extensive foreign travel considerations, and they often fly general aviation aircraft on their days off.

Agents don't always gather the correct information, and even when they do, companies often don't know what to do with it. Usually, this is what happens when agents don't understand aviation terminology and/or use a carrier-provided form that does not ask the right questions. I have found that most companies use outdated and overly broad aviation underwriting guidelines, or simply use the guidelines set forth by the reinsurers and interpret them the best they can. This could lead to backend underwriting, when the carrier and the reinsurer review the case during the claim process and find key information the agent and insured did not disclose.

As agents, we have a dual responsibility: to get our client the best policy possible, and help protect the insurance companies we represent from any unexpected or undisclosed risk. Pilots can present a challenge to both of these obligations because they make up a relatively small segment of the population, and their duties and qualifications are not well understood by the general public. We also need to keep the primary focus on the ultimate reason for the sale — to pay a vital benefit if the insured dies.

Here is an example of how providing full disclosure is critical. Recently, a pilot with a U.S. Forest Service contractor called our office for a quote. He was surprised at our rate because he had purchased a policy just six months earlier, from another agent, for a much lower premium. When he sent us his in-force policy, with a copy of the aviation form, we found that it made no mention that he flew helicopters into forest fires — normally a \$7.50 flat extra. His policy was issued Standard Plus, with no flat extra, because the application incorrectly said he was a 'Commercial Helicopter Pilot.'

At the client's request, I spoke with the chief underwriter at the issuing company, and he said that they would never have issued the policy at that premium class had they known his true occupation and flight duties. When I asked him if they would subsequently document the file with the correct information, and agree in writing to pay a claim if the insured died while flying on the job, he referred me to the company's legal department. Needless to say, the client decided to replace the policy with our application, providing full disclosure and peace of mind, knowing his family would be taken care of.

No Such Thing as a Pilot's License

Pilots are issued an airman certificate, not a license. These certificates are issued in one of the following ascending classes: Student, Recreational, Private, Commercial, and Airline Transport Pilot (ATP).

While "Student Pilot" is self-explanatory, the other classes may need clarification. A Recreational certificate is a new category that allows the holder to fly relatively simple aircraft, locally and only during daylight hours. Private pilots have more freedom, but cannot fly for hire. A Commercial certificate means that a pilot can be paid for flying, but is not necessarily an airline pilot. This can include many occupations, such as flight instructors or banner tow pilots. The highest certificate is Airline Transport Pilot, or ATP. An ATP certificate permits the holder to fly at the airline level. An ATP automatically expires at age 65, reverting to a Commercial certificate.

In addition to a certificate, pilots are issued ratings defining the type of aircraft the pilot is qualified to fly, such as single-engine, multi-engine, helicopter, seaplane, etc. A pilot can also earn an "instrument rating," which allows the pilot to fly in cloudy weather solely by referencing the flight instruments.

The correct way to define a "pilot" would be with a combination of the certificate followed by any ratings, such as:

- Student Pilot
- Private Pilot — Airplane Single Engine Land
- Commercial Pilot — Airplane Single & Multi Engine Land, Instrument Airplane
- ATP — (An instrument rating is automatically part of this certificate).

In general, the higher the certificate and the more sophisticated the ratings, the safer the pilot. Still, flying a simple private aircraft on a sunny day is statistically a very safe activity regardless of the experience level of the pilot. The majority of fatal accidents involve weather conditions beyond the pilot's skill level, or so-called 'maneuvering,' such as flying low or performing unauthorized aerobatics.

Company Mistakes

As mentioned earlier, most carriers we work with have inadequate aviation questionnaires that simply don't ask the right questions. These forms were designed by people who may know the insurance business but have very little aviation knowledge. This can result in carriers exposing themselves to risk they are unaware of. For example, one company's questionnaire does not even ask if a pilot flies an experimental aircraft. We know some agents are intentionally exploiting this oversight, resulting in adverse selection against the carrier.

I also believe that carriers tend to place pilots into overly broad categories. Air ambulance pilots are a good example of this practice. While most insurers have one category (normally a \$5.00 flat extra) for air ambulance pilots, there are actually two very different types of air ambulance pilots. The first type is the helicopter pilot who lands on a highway in any weather and time of day, to transport critically injured accident victims to an emergency medical facility. Time is critical, and these pilots are under a great deal of pressure to save lives. The second type transports stable patients from one city to another in a business jet. This is no more dangerous than a corporate charter, and this pilot should not have to pay the flat extra. As dissimilar as these two risks are, they are in only one underwriting classification with most companies.

The majority of fatal aviation accidents (about 87%) also involve pilot error, or pilots using poor judgment. Most of the time this involves a pilot intentionally flying into weather beyond his or her skill level. Experience has taught us that we can underwrite for pilot judgment, using certain eliminating criteria. Motor vehicle history and past aviation incidents or accidents are a good indicator. One important piece of information we use is the length of time a person has been a pilot. I do not know one carrier that asks this statistically significant question, although most companies do ask about flight time.

Probably the most critical part of our risk assessment comes from an extensive phone interview we do with each of our applicants. Every member of our staff is either a certificated pilot or is specially trained in aviation underwriting, so we are able to talk the same language and build a strong rapport with our clients. Most pilots are passionate about flying, and they often tell us they actually enjoy our screening interview.

Pilot Insurance Center

At the Pilot Insurance Center, we addressed the problems of inadequate information by designing our own aviation forms and using the above mentioned client interview process. We also have conducted thorough research to identify which companies provide the most favorable rate for each particular aspect of aviation. We have spent 25 years developing relationships with our agents, underwriters, and carriers, who know that they can count on our information to make their best offer.

The simple fact, however, is that you also can do an effective job for your pilot clients and prospects if you pay extra attention to detail, choose the right carrier, and give the underwriter as much information as possible. Attention to detail, after all, is one of the hallmarks of a professional; you expect it of pilots when you fly as a passenger, and they should expect it of you when handling their insurance needs.

Bill Fanning entered the life insurance business as an agent in 1982 and has earned numerous production awards from multiple carriers. He is a co-founder of The Pilot Insurance Center, a wholesale distribution organization specializing in helping life insurance agents sell to pilots of all types. Mr. Fanning is a commercially rated pilot with more than 8,000 hours of pilot-in-command time and more than 30 years of aviation experience.