



HARVEY WATT & CO

SERVING PILOTS SINCE 1951



## December 12, 2016 Q&A

### Q: What is Loss of Medical Insurance?

We've partnered with Harvey Watt & Co who manages these plans for virtually every US airline and even foreign carriers like Emirates totaling 73,000 pilots. They found us the best combination of rates and features.

Loss of Medical insurance is a job specific Long Term Disability Plan for pilots. It is also commonly referred to as Loss of License or Long Term Disability. What makes this insurance different than most Long Term Disability plans is the fact that it is pilot specific Own-Occupation. These types of insurance products are much harder to obtain because they relate only to your current occupation as a pilot. In other words, if you are unable to fly due to illness or injury, you are considered disabled under this plan and will collect a benefit. Given the stringent safety, health and medication requirements to hold a first class medical, you can only imagine how difficult an own occupation pilot plan would be to come by. These types of plans are only underwritten by a handful of companies because they are often times not profitable. This is a testament to their value. The smaller the profit to the insurance company, the greater the value to the participant.

The vast majority of companies our size like Southwest only provide Loss of Medical coverage for a few years and pilots purchase additional coverage. SkyWest provides us a 60% LOM benefit capped at \$5,000 for only 24 months. After 24 months, you have to be TOTALLY disabled to continue to collect on the company disability plan. That means you are not capable of doing any job that you are reasonably qualified for (due to education, training, or experience). If you found yourself grounded because you are unable to prove to the FAA beyond a doubt you're safe to fly, this lifetime disabling injury or illness would result in an unrecoverable debt situation.

This new Loss of Medical Insurance thru Watt begins paying a benefit after 6 months of disability and continues to pay until retirement age. It will pay 67% up to \$10,000 a month Tax-Free whether combined with our company's plan or later when it stops paying. So, for example, if you are disabled from flying and are not able to work for the rest of your life, you will receive benefits until age 65.

One thing that you need to understand about Disability insurance is that it is not a retirement plan. It is not intended to make you rich or encourage you to sit on the couch for the rest of your life. It will however ensure, that even in the worst case scenario, you



have enough money to reasonably maintain your current quality of life and take care of your family.

This new optional plan benefit payout is 67% of pre-disability income up to \$10,000 monthly. How much you pay or get paid in benefits is based on the earnings you report. Take that amount and multiply by 67%. However, since you will be paying the premiums with post tax dollars, the benefit payout is not taxable. So, in reality, the payout is closer to 75%-80% of your pay. Because, per diem and overtime vary from month-to-month and person-to-person, the payout is based on base salary. There are no accounting mechanisms in place that could constantly match our ever changing monthly take-home, therefore, this plan is based on the salary you keep current with Harvey Watt. Benefits and premiums are based on the earnings that you report - not less than \$25,500 or greater than your 3 highest months averaged.

### **Q: What makes a group plan better than an individual Loss of Medical Plan?**

For one, it's Guaranteed issuance. That means you will not be scrutinized and can not be denied so long as 25% of us sign up. It also means that they won't raise your premiums because of medications or previous health history. Every time this plan is up for renewal, they either renew all of us, or none of us. In other words, you will not be dropped or re-evaluated after any medical changes. That, by itself, makes this plan extremely valuable. Secondly, group plans usually have lower premiums and richer benefits. Why pay more for the same insurance?

### **Q: How much does it cost?**

The average cost is less than 2% of your salary and protects from losing your medical for your entire career.

### **Q: Why do I have to wait 6 months before the insurance pays?**

Statistically speaking, the majority of pilots who lose their medical for 18 months or longer are not expected to ever return to the cockpit. This group plan will allow pilots & families to sleep at night for a very low cost knowing that their financial future is protected if they are medically disqualified from flight status. This is long term disability to protect you from a catastrophic financial event.

INDUSTRY NUMBERS: One in twenty pilots on a Long Term Loss of Medical disability every year and 1 in 5 will be disabled for more than a year before 65.

### **Q: How do I find out if I can return to flying? Is there anything I can do to help my chances?**

One health development or medication change can temporarily or permanently end a pilots career. With so much at stake, it is imperative to solicit the help of professionals



when going through Aeromedical issues. There are a few companies that specialize in doing just that. They will typically consist of a group of specialized doctors and case managers. Their job, simply put, is to get you back in the air as soon as possible. One of the great benefits of enrolling in the LOM Plan is having the services of the Harvey Watt Aeromedical Department at your fingertips. If you are on track to begin drawing LOM benefits, the Harvey Watt Aeromedical Department, lead by their team of specialized AME's & flight surgeon nurses, will take on your case and do whatever is necessary to get you back in the air. It is mutually beneficial, to both the pilot and the insurance company, to return you to the line as soon as possible to keep rates low. Comprehensive assistance for pilot medical re-instatement can easily cost over \$2,500 without coverage. Harvey Watt & Company's Aeromedical Department is headed by Medical Director Dr. Fredrick Tilton. Prior to joining Harvey Watt, Dr. Tilton was the Federal Air Surgeon. The department is second to none, and is currently tasked working with 65,000 pilots of client airlines and unions.

**Q: Are there any offsets to the 67% payout?**

With any disability plan, there are offsets. It is important to know what they are before enrolling, as they may affect you. This plan will guarantee that you receive 67% of your reported pre-disability income. If you receive any of the payments listed below during your disability period, they may reduce that amount from the LOM payout. Keep in mind that a low percentage of us actually qualify for most of these.

- The Jones Act/Maritime Doctrine
- Statutory Disability
- Newly drawn Retirement or Pension Benefits
- Unemployment Benefits
- Automobile No-Fault
- Social Security Disability or Retirement
- Railroad Retirement
- Canada/Quebec Pension Plan
- Disability Payments from other Disability Plans
- 3rd Party Liability Payments
- Group Mortgage or Disability Payments

**Q: What else should I know about this plan?**

- The plan has a Rehabilitation Incentive Benefit. This means that during the disabled employee's active participation in an Approved Rehabilitation Program, it will pay an additional 10% monthly benefit for 6 consecutive months not to exceed \$500/month.
- The plan has a Work Incentive Benefit. This means that if you go back to work and make at least 20% of your pre-disability income, during the first 24 month, the benefit (67%) will be reduced only to the extent that the amount of the employment income +



gross monthly benefit exceeds 100% of pre-disability income. So, in short, if you go back to work, it will supplement your new employment income for the first 24 months to make it 100% percent of what you made as a pilot. It's a nice bonus.

-After the Work Incentive Benefit expires, the LOM plan has a Proportional Loss Formula that kicks in if you do go to work and earn 20% to 80% of your pre-disability income.

To calculate how much this would pay monthly we use the formula (A divided by B) x C.

A= Pre-Disability Income (PDI) - New Employment Income

B= Pre-Disability Income (PDI)

C= LTD Monthly Benefit Less Other Income Offsets Except New Employment Income

Lets do a couple examples:

*Example 1:*

Captain makes \$100,000 per year or \$8,333 per month and goes to work making \$50,000 or \$4,167 per month.

1<sup>st</sup> 24 months Rehabilitation Incentive Benefit:

Current LTD benefit (\$8,333 x .67) = \$5,583

Plus: Earned Income \$4,167

Total Combined Income = \$9,750

Since that exceeds your Pre-Disability Income (PDI), the benefit is reduced to \$4,166.

That benefit amount plus your \$4,167 earned income equals your pre-disability income of \$8,333.

After 24 months: For the LTD benefit, the Work Incentive Benefit formula is used to determine the benefit.

$((PDI - \text{Earned Income}) / PDI) \times \text{Current LTD Benefit}$

$((8,333 - \$4,167) / 8,333) \times 5,583 = \$2,791 \text{ benefit}$

2,791 benefit + 4,167 earned income = \$6,958 total combined income  
(That's 83.5% of Pre-Disability Income or PDI)

*Example 2:*

Pilot makes \$100,000 per year or \$8,333 per month and you go to work making \$25,000 per year or \$2,083 (or grow your income from a parallel career by \$25,000)

1<sup>st</sup> 24 months : LTD benefit (8,333 x .67)= \$5,583



Plus: Earned Income        \$2,083  
Total Combined Income = \$7,666

Since \$7,666 is less than your Pre Disability Income, there is no adjustment to the benefit.

After 24 months: For the LTD benefit, the "Work Incentive Benefit" formula is used to determine the benefit.

$((PDI - \text{Earned Income}) / PDI) \times \text{Current LTD Benefit}$

$((8,333 - 2,083) / 8,333) \times \$5,583 = \$4,187 \text{ benefit}$

$\$4,187 \text{ benefit} + \$2,083 \text{ earned income} = \$6,270 \text{ Total Combined Income}$   
(That's 75.2% of Pre-Disability Income or PDI)

### **Q: Are there any exclusions from drawing benefits?**

Yes, this plan carries these common exclusions or limitations:

- Pre-existing conditions. At the effective date of coverage, if you have been treated or diagnosed for any health problem within the previous 12 months, then only coverage for that specific condition is excluded for the first 24 months after the effective date of coverage. After that time, it will not be considered a pre-existing condition. If you haven't been diagnosed or treated for a medically disqualifying condition during the previous 12 months then you have no pre-existing conditions. In either instance, after you have been in the plan for 24 months, there are NO pre-existing condition clauses that apply.
- Intentionally Self-Inflicted Injuries
- Committing or attempting to commit a felony
- Act of War
- Driving while Intoxicated
- Accident while under the influence of drugs or controlled substance, unless prescribed by a doctor
- Cosmetic or reconstructive surgery
- Disappearance
- Injury or Sickness arising out of or in the course of agricultural flying
- Participation in a riot
- Labor Strikes and Pickets are legal rights, according to insurers' position, are not considered a civil commotion so injuries caused during either would not be excluded as a civil commotion.

So, in summary, as long as you haven't recently found out that you may lose your medical and above situations do not apply, you should be covered from day 1.



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**Q: What if I want to see the actual LOM contract? Where can I find it?**

The Schedule of Benefits will be available on our SkyWest page at HarveyWatt.com and also emailed to us as soon as the states finalize approval following enrollment. What was provided above was only a summary of the plan. After reading the Summary of Benefits, you may have further questions. If you want to speak with someone, call Harvey Watt & Co 800-241-6103.

**\*\*\*\*\* Additional Questions/ Statements added August 10th, 2020 \*\*\*\*\***

**Q: Are pilots covered for illness/injury sustained while on leave (VTO/CPTO)? These are our COVID-19 leave programs - VTO is a voluntary unpaid leave and CPTO is a paid leave.**

Absolutely, pilots are covered during that time while on an approved VTO/CPTO COVID-19 leave program. It was announced that the actively at work/flight hours requirement thru Symetra has been relaxed accordingly through the end of September and planned to be extended further. The plan will pay benefits as normal, based on the coverage you currently have reported and are paying premiums for through Harvey Watt.

**Q: If not, should we expect a refund of premiums paid for that period?**

Those pilots have full coverage.



## **Q. Are complications due to COVID-19 covered? For what length of time?**

Absolutely. Disease/illness and complications can be covered by the plan with no limitation. We've had a pilot suffer heart damage from a treatment plan for COVID-19 and will be out to age 65 retirement collecting benefits.

## **Q. Where can I get a copy of the policy with a list of all the conditions that are not covered/ only covered for 12 months?**

The policy was electronically delivered to everyone that enrolled and can be re-sent to anyone who requests another copy. It has also been posted on the Harvey Watt website on the SkyWest page. Conditions limited to 12 months are listed in the policy and these conditions are subjective - meaning they lack objective medical documentation to substantiate the claim.

*For example, if you have a limited special condition, you can take a test to prove you have the condition and then the limitation is removed to be payable to 65. A condition like back pain could be limited until you take a test that shows its caused by a ruptured disc or arthritis. If you have questions about that language, please ask us via email or phone because that section does not stand on its own and other parts of the policy will allow for the continued payment of a claim. We've only seen one claim ever limited by that provision and are reviewing it.*

## **This plan carries these common exclusions or limitations:**

- Pre-existing conditions. At the effective date of coverage, if you have been treated or diagnosed for any health problem within the previous 12 months, then only coverage for that specific condition is excluded for the first 24 months after the effective date of coverage. After that time, it will not be considered a pre-existing condition. If you haven't been diagnosed or treated for a medically disqualifying condition during the previous 12 months then you have no pre-existing conditions. In either instance, after you have been in the plan for 24 months, there are NO pre-existing condition clauses that apply.
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- Injury or Sickness arising out of or in the course of agricultural flying
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## **Summary vs reality — the summary doesn't represent what we are seeing when we file.**

When a group DI plan is originally offered, the summary plan description is what is advertised. If enough participation is reached (greater than 25% in this case) that plan goes into effect. The policy is then filed with the states. While the language used is not new, the states can come back and adjust the language. Once that language is approved, the policy is electronically issued to all participants. We gave participants 30 days from that time period to review the policy and cancel with a full refund if they were not satisfied. Please allow us to explain any provisions or language you are concerned about and allow us the chance to explain what it means and how it may be applied.

## **The policy is hard to understand.**

We have tried to help make it more understandable. It is a contract written by both insurance company attorneys and the State Insurance Dept authorities featuring required standard language. When the plan was launched, we collaborated with SAPA and a few line pilots to create a FAQ, a Loss of License Pilot Explains summary, held town hall calls, and made ourselves available for a call. Pilots were given a month to review the policy and if they were not satisfied, the offer for a full refund. While we can't change the plan language, we are a phone call away to get clarification on any confusion.

## **How do you file a claim and how long does the claims process take? Why is there so much paperwork and why did it take so long when Hartford is so easy?**

We work with Hartford just like we do with Symetra for you. With Hartford, the initial step to file a Short Term Disability claim can be an initial phone call. LTD requires more information but both companies require the same types of information. We know this from experience and many of the people at Symetra/Hartford worked for the other. Documentation requirements are very standardized. An exception to this may be someone that recently purchased the plan and a pre-existing condition evaluation is required because it is within the first 24 months of coverage before that pre-ex provision is removed. In that case, they may ask for related medical records only from the first 12 months before coverage started. Harvey Watt can help pilots through the claim filing and investigate any cases in which pilots let us know they feel too much was asked.

## **Pre-existing conditions clause—clarification on how/when that is applied and an example:**

*A pilot's claim was recently denied because he had to have a screening- MRI, CT, neurological exam-- to get his FAA medical back after having seizures 10 years ago -FAA requires a 10-year waiting period with no seizures and a full screening before re-issuing a medical. As he explained, he got his medical back, started flying for SkyWest, and had another seizure which also fractured a vertebrae in his back, so he's permanently disqualified. Symetra said that going for the required screening made it "pre-existing" and denied him for being screened. He pointed out that women get yearly mammograms and pap smears to screen for cancer, so if cancer is found the next year are they denied because they were screened? He feels it's vague language, because his situation was a screening, not a treatment.*





This plan carries a pre-existing condition that applies only to the first two years of coverage. After you've had the plan for 2 years, there is no such thing as a pre-existing condition. If a claim is made during the first 24 months of coverage, then the insurer will look to only the 12 months immediately preceding the date that coverage began to see whether the individual received treatment or evaluation for that condition during that time. Routine/recommended preventative tests performed as general practice such as a mammogram would not impact this provision or apply towards a limitation.

## **When do benefits go to 65 and when are they limited to 12 months, and how is that determined?**

The 12 month limitations only apply to conditions specifically listed in the policy and only when those are the only disqualifying conditions. The general intent is to limit payments for conditions that cannot be verified by objective medical testing to substantiate the claim. That limitation only applies when one of the conditions is the only condition keeping an airman out of the cockpit. If there is one or more other concurrent conditions or you go back to work and have another claim, the plan would not be limited and pay to age 65 or beyond if you are in your 60's when grounded/disabled. For example, if you are grounded for back pain but the doctor says it is due to arthritis, that would not be limited at all. If you are grounded for only back pain but the doctor sees nothing wrong, then that would be limited. If you had arthritis as well as the back pain, then it would not be limited because of the non-limited concurrent disability.

## **If I get my medical back but really can't safely fly for the airline, do they end my benefit? If I could still fly GA (General Aviation) but didn't feel comfortable flying passengers, what happens to me?**

This plan will provide benefits if you are not capable of doing your normal occupation as a pilot. We had a claim recently with a Part 135 operator in which the pilot got his first class but was unable to stoop to load golf bags into the back of the plane. He was covered under that circumstance.

## **What's the appeals process? If you appeal, you are appealing to the people who just denied you so there's no objectivity in the appeal process?**

The appeals process is fire-walled from the original decision makers. New reviewers are part of an appeal group and review the case objectively. Harvey Watt will be there to help you through that process. You're also given the opportunity to provide new documentation.

## **Is there an arbitration/mediation process if you are denied? Who manages it? Is it objective?**

There is and we are there to help appeal to the new individuals at the insurer as well as gathering additional documentation including doctor reviews.



**What if you are on benefits, can't ever fly again and decide to medically retire from SkyWest, do you lose your benefit like you would with Hartford, or does it continue to 65 whether or not you work there? Or do you have to figure out how to stay at work at SkyWest to keep your HW payment?**

This is a benefit to SkyWest pilots. That means that you have to be active with SkyWest at the time of your claim. After that, there is zero impact on your claim with either Hartford or Symetra if your relationship with the airline changes or even if the airline were to cease operations.

**Coverage lost after going to United (or any other airline) wasn't clear (he quit to go to United and thought he still had HW coverage; he was still being charged monthly premiums).**

This coverage is for SkyWest pilots and is not portable like our life insurance. Pilots should let us know if they leave SkyWest and we will stop premium payments and can make refunds as well. Please email [pilot@harveywatt.com](mailto:pilot@harveywatt.com) and let us know if you leave Skywest so that we can stop your coverage payments and make refunds as necessary. Note, pilots on a covid LOA can still be covered under the announcements made.

**Policy is hard to find on the website.**

It is posted at [HarveyWatt.com](http://HarveyWatt.com). Click [here](#) and you can download the policy. Or if you email, [pilot@harveywatt.com](mailto:pilot@harveywatt.com) we will send you a copy.

**I didn't get a policy emailed to me after I signed up.**

Policies are electronically issued as well as posted on the website. We may have made a mistake entering your email address or it may have been delivered to your spam folder. Please contact us so that we can make sure that you have the plan and answer any questions.

**If I lose my medical and get benefits, then get a part-time job, how does that work? Am I working for "free" or is the benefit above my part-time wages?**

You're not required to work in another non-flying position. If you were previously working in another profession, while also flying before becoming grounded it should not impact your benefit. Only the incremental amount of newly earned income can be considered for any type of benefit reduction. The insurance is meant to make you whole and not put you in a better position grounded than flying. The original FAQ has examples of how newly earned income may be applied.

**Are they going to set up checks & balances so your situation never happens again?**

Symetra is fully auditing the open claims and calculations for benefits. They assure us that this won't happen again and we are going to hold ourselves accountable. Harvey Watt's medical advocates can do more for you and will. We are reviewing and retooling the process to ensure that we do a better job serving pilots.



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**I heard they will try to force you to get a desk job or something like Starbucks so they don't have to pay you. Is that true?**

You are not required to work.

**I was denied and no one at HW talked to me after that.**

We take responsibility and want to assist if you'll let us. Our doctors are standing by as well to represent you to the FAA.