

For adviser use only

# Executive Income Protection

## A quick guide

### Taking the financial strain out of employee absence

An Executive Income Protection plan is designed to help protect businesses against the financial impact of their employee's incapacity on the business.

Businesses can help protect not just an employee's salary but can also cover dividends received as part of their overall remuneration and P11D benefits. Additional cover can be chosen at the start of the policy for an additional cost, this can be arranged to cover employee costs such as Employer National Insurance and employer pension contributions.

### Reasons to recommend



Choice of cover options including limited benefit and deferred periods, and level or increasing cover



If an employee leaves the business your client can transfer the policy to the new employer. Terms and conditions apply



Rehabilitation Support Service and access to Wellbeing Support (provided by RedArc Assured Limited) included as standard

### How it works

- 1 The business takes out Executive Income Protection
- 2 The employee's income is protected
- 3 Employee is injured or unwell and unable to work
- 4 The business makes a claim, once verified, the monthly benefit is paid to the employer in line with the level of cover
- 5 Payments cease when the employee returns to work, the benefit payment period ends, or they die, whichever comes first

#### What earnings can be covered?

- Salary
- Overtime/Bonuses
- P11D Benefits
- Dividends
- Spouse/registered civil Partner earnings and dividends

#### Maximum benefits

- 80% of the employee's annual earnings up to £300,000 (Level) or £210,000 (Increasing plans)
- Employer pension contributions max £40,000
- Employer National Insurance max £42,500

#### What are the age limits?

- Maximum age at expiry: 70 years old, 65 for driving based occupations and 50 for fitness instructors / dance teachers.



# The benefits and options available

The flexible cover is tailored to meet business and employee needs, both now and in the future.

- **Waiver of premium:** Included at no additional cost, your client won't have to pay their premium while the monthly benefit is being paid.
- **Deferred period:** Your client can choose from 4, 8, 13, 26 or 52 weeks.
- **Proportionate benefit:** Following a claim, if the employee returns to work in a reduced capacity with fewer responsibilities, as a direct result of the illness or incapacity, the monthly benefit will be reduced in proportion to the reduction in earnings.
- **Continuation cover:** If the employee leaves the business, there is an option which will allow a new employer to continue the cover that must be exercised within 90 days of the employee leaving.



## Helps with pension contributions

If chosen for an additional cost at outset, can help cover employer pension contributions, helping the employee maintain their retirement savings.



## Tax treatments

In the event of a claim, the benefit will be treated as a trading receipt. However, it will also be treated as a trading expense, when it is used to fund sick pay for the employee – resulting in a neutral tax position. The benefit should be paid to the employee through PAYE, after Income Tax and NI deductions.



## Cover can include spousal earnings

Cover may also include taxable earnings payable to the employees' spouse or registered civil partner by the policy owner during the same period which would stop because of the employees' incapacity. Please see Policy Booklet for details.

## Why choose us?



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