

For adviser use only



Executive Income Protection

Taking the financial strain
out of employee absence



Business Protection: For small
and medium sized businesses

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Executive Income Protection in a nutshell

An Executive Income Protection plan is designed to help protect businesses against the financial impact of an 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 arranged to

cover employee costs such as employers National Insurance and employer pension contributions too.

It's a great way to help a business alleviate the financial uncertainty that often comes when someone is unable to work due to illness or injury.

Simply put, it helps take the financial strain out of employee absence.



A plan that meets business and employee needs

Many small businesses offer enhanced sick pay if their employees are unable to work. The monthly benefit the business receives in the event of a valid claim can be used to help fund the employee's ongoing sick pay.

The benefit helps the employee to meet their financial commitments, ensuring they don't need to rely solely on their savings or state benefits.

- **What happens if an employee can't work due to illness?** Their level of income may fall or stop altogether and your client's business plans for the future may well be in trouble.

- **Who can take out cover?** The person covered must be an employee of a UK business, which can include salaried company directors. The product is designed to predominantly cover employees of Limited Companies.
- **Is tax relief available on the premiums?** HMRC usually allows premiums for Executive Income Protection to be treated as an allowable business expense, with corporation tax relief available and no additional income tax or National Insurance to pay.

Product	How to calculate the maximum monthly benefit	Maximum monthly benefit at the start of the policy
Executive Income Protection	80% of the employees pre-incapacity earnings and dividends	£25,000 per month (£300,000 per year)
Increasing Executive Income Protection	80% of the employees pre-incapacity earnings and dividends	£17,500 per month (£210,000 per year)

What does Increasing Executive Income Protection provide?

The option every year to increase the monthly benefit by the change in the Retail Prices Index (RPI) up to a maximum of 10% of their current monthly benefit, without the need for further medical evidence.

The premiums will increase in line with the changes in the RPI multiplied by 1.5 subject to a maximum increase of 15% per year. If we cannot use the RPI, we will use an index comparable to the RPI instead.

For further detail, please see the Technical Guide or Policy Booklet.

What our plan offers

We believe in keeping things simple and providing cover that make your clients' lives easier. When a claim is made, our experienced claims management team provide a service that focuses on your client's best interests.



The monthly benefit can be either level or increasing to help protect against inflation.



The policy can be set up for duration of a valid claim or for limited benefit period of 12 or 24 months. Depending on what was chosen at outset.



Maximum cover up to 80% of earnings. Includes dividends and P11D benefits up to £25,000 (£300,000 per year) for level plans, or £17,500 (£210,000 per year) for increasing plans.



A choice of deferred periods, 4, 8, 13, 26 and 52 weeks available.



Offers back to work support with our Rehabilitation Support Service, at no extra cost.



Good to know

The plan also covers up to 80% of spouse or Registered civil partner's gross earnings (up to personal allowance for income tax at the point of incapacity), and/or 80% of dividends that would stop in the event of the life assured being unable to work due to illness or injury. Limitations and exclusions apply.

There's also an option to cover employer National Insurance Contributions (NICs), up to £42,500 a year, and employer pension contributions, up to £40,000 a year. T&C's apply.

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 policy pays out a monthly benefit 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

The benefits and options available

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

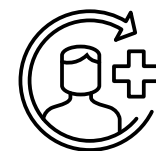
- **Waiver of premium:** Included at no additional cost, your client won't have to pay their premium while the monthly benefit is being paid.
- **Linked claims:** Payment of the monthly benefit will resume immediately if the employee becomes incapacitated again for the same or related cause within 12 months of returning to work after a valid claim.
- **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, you have an option which will allow a new employer to continue the cover that must be exercised within 90 days of the employee leaving.





Helping your employees get back to good health, and work

Executive Income Protection goes further as it can also help with maintaining the health and wellbeing of employees. We have a range of services that can support their employees' mental and physical health – all included as standard, at no extra cost.



Rehabilitation Support Service

Gives access to our UK-wide team of clinical healthcare experts, to support their quicker return to work following a valid claim.

The service helps with a range of conditions, including musculoskeletal pain, cancer, mental health, heart conditions, stroke and arthritis.

Our early interventions help to make sure your client's symptoms aren't prolonged, and prevent their health from getting worse. They'll work to create a tailored plan that supports their quicker return to work and good health.



Wellbeing Support

We've partnered with RedArc Assured Ltd and their registered nurses, to provide personalised practical and emotional support that the employee covered under the policy can use as and when they wish.

Their experienced registered nurses can help with a wide range of mental or physical health concerns, including arranging a second medical opinion if an employee is dealing with a serious illness.

Comparing income protection plans

Executive Income Protection is similar to personal income protection, both are designed to pay out a monthly benefit in the event that the life assured is unable to work due to incapacity caused by illness or injury.

With Executive Income Protection however, the monthly benefit is paid to the business rather than being paid directly to the insured person.

The cover can also include employers National Insurance and employers pension contributions for an additional cost. The monthly benefit we pay out under an income protection plan may affect your client's claim to benefits paid out under other income protection policies



	Executive Income Protection	Income Protection Benefit
Policy owner	Employing company	Life Assured
Max cover allowed	Max 80% of allowance income plus company NI / pension contributions	Max 60% of first £60,000 gross annual income + 50% of gross annual income over £60,000
Cover limit (per year)	Maximum £300,000 or £210,000 for Increasing Executive Income Protection	Maximum £240,000 or £168,000 for Increasing Income Protection Benefit
Tax position of benefit	Taxable as business revenue or PAYE if paid to employee	No tax to pay*
Tax position of policy premiums	Tax deductible for business and no benefit in kind for the employee	If the business pays the premiums they would be deemed a benefit in kind for the employee and would form part of the expenses of the business potentially being tax deductible
Where benefit is paid	Paid into the business	Paid directly to the employee
What can be covered	Salary / Dividends / Company National Insurance / Company Pension Contributions	Salary / Dividends / P11D benefits in kind
Pay-out duration	For the duration of a valid claim, or 1 or 2 years depending on what was chosen at outset	For the duration of a valid claim, or 1 or 2 years depending on what was chosen at outset
Deferred periods	4, 8, 13, 26 or 52 weeks	4, 8, 13, 26 or 52 weeks



Good to know – Is tax relief available on the premiums?

HMRC usually allows premiums for Executive Income Protection to be treated as an allowable business expense, with corporation tax relief available and no additional income tax or National Insurance to pay.

*The government may change this tax position at any time, which could affect the monthly benefit the policy pays out

Big business benefits, for small businesses

Executive Income Protection and a Relevant Life Plan could work well together, both the business and the employee could have peace of mind.

If an employee is unable to work due to incapacity caused by illness or injury or dies whilst employed by the business, this could reduce the financial impact on both their family and the employer.

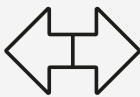
Relevant Life Plan

A Relevant Life Plan is a tax-efficient way for your client to offer a death-in-service benefit to their employees.

The life cover is tailored to your clients employees, yet counts as a business expense. Premiums can be treated as an allowable business expense by HMRC. With Corporation tax relief available, no additional income tax or National Insurance to pay.



A cost-effective way for a small business to provide life insurance to an employee



High level of cover for employees' remuneration, including salary, bonuses and regular dividends



Can be converted to a personal policy using Continuation Cover or moved to a new employer if an employee leaves the business

How much cover can a Relevant Life Plan provide?

The reason for the policy being taken out is to provide protection for the employee's family. The lump sum paid would be based on the lost income of the employee. The maximum amount of cover available usually depends on the employee's age and their overall remuneration, including salary, bonuses and regular dividends.

Age 18 to 49	Up to 25x remuneration package
Age 50 to 59	Up to 20x remuneration package
Age 60 to 73	Up to 15x remuneration package

The cost savings of a Relevant Life Plan

It can be tax efficient for both your client and their employees, with a saving of almost half the cost.

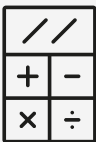
	Non-relevant life plan policy	Relevant Life Plan
Annual Premium	£1,000	£1,000
Employee National Insurance Contribution (assuming 2%)	£34.48	None
Income Tax (assuming 40%)	£689.65	None
Dividend Tax	None	None
Gross earnings needed	£1,724.13	£1,000
Employer National Insurance Contribution (assuming 13.8%)	£237.93	None
Total gross cost	£1,962.06	£1,000
Less Corporation Tax (assuming 19%)	£372.79	£190
Tax-adjusted total cost	£1,589.27	£810

This example is fictitious and provided for illustration purposes only. Actual premiums will depend on individual circumstances. As with all insurance policies, terms and conditions apply. Your financial adviser will be able to discuss these with you.

Helping to secure future plans

By introducing valuable benefits such as Executive Income Protection and Relevant Life Plans, a business and their employees are given security in the case of illness or death.

One of the advantages of Executive Income Protection is protecting not just pre-retirement income, but also the employer pension contributions. Choosing additional cover at outset for an additional cost, can fund the cost of the employer pension contributions that the business must continue to make to an approved pension on behalf of the life insured.

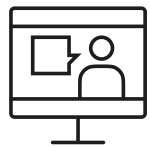


Good to know

Our adviser toolkit has a range of protection calculators for advisers. You can work out the maximum cover levels for executive and personal income protection and compare the costs.

Why choose us?

We've been helping advisers like you for over 180 years. So, you can rely on our expertise and experience, to help your clients.



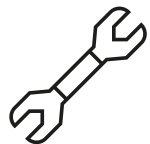
CPD academy

Earn structured CPD with our CII-accredited training, webinars and workshops.



Research and insights

Keeping you up to date with our latest insights conducted with SMEs to understand the risks faced by businesses.



Adviser toolkits

Supporting you with practical tools, resources and market insights to aid your client conversations.



Experienced UK-wide team

We work with thousands of advisers like you every year to help grow the market and explore new opportunities.

Speak to your usual
L&G contact to find out
more about our **business
protection products.**

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