

Policy Summary



Key Person Income Protection

This policy is provided by Legal & General Assurance Society Limited.

The Policy Summary provides a brief guide to the cover and exclusions that relate to this policy. You will find full details in the Policy Booklet which forms the basis of our contract with your business.



About your policy

Overview

This policy is designed to meet the demands and needs of businesses who wish to help protect against the financial impact of their employee's incapacity on the business. If the employee covered becomes incapacitated due to illness or injury and unable to work as a result, we will pay your business a regular monthly benefit.

The monthly benefit can be used to meet the costs of hiring a temporary replacement employee, to address a reduction in gross profit, or meeting loan repayments.

You should regularly review your policy to ensure it continues to meet your business needs.

Cover is only available where the employee works at least 16 hours per week for the business.

When the employee becomes incapacitated there is an initial period of time we don't pay a monthly benefit which we call the deferred period.

If the level of cover you select exceeds the benefit that we are able to pay subject to the limitations of this policy, we will not refund any difference in premiums.

This policy can't be taken out if your employee has not been registered with a GP in the United Kingdom for at least the last two years.

What is covered?

We will pay your business a monthly benefit if the employee covered becomes incapacitated and is unable to carry out the material and substantial duties of their own current occupation.

The monthly benefit will be paid for the duration of a valid claim until the earlier of the following:

- the employee recovers and is no longer incapacitated,
- we have paid the claim for the duration of the limited benefit period,
- the employee dies,
- the employee is no longer a key employee of the business,
- the employee no longer works for the business,
- the company stops trading,
- the date the policy is cancelled by you or us, or
- the policy ends,

whichever comes first.

What is not covered?

Your business won't be covered if you and your employee don't provide full and honest answers to the questions we ask.

- We may restrict some elements of cover based on the information that you provide about your employee. We will tell you what we've excluded in your Policy Booklet under the heading 'When we will not pay a claim'.
- This policy has no cash value and we will not pay out if you reach the end of your policy without making a valid claim.
- If your business stops paying the premiums cover will end 60 days after the first missed premium.

Your cover

Level cover

The amount of cover provided by this policy will remain the same unless you change it.

Increasing cover

If you choose an increasing policy, we will give you 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 your current monthly benefit, without the need for further medical evidence. This policy is designed to protect your monthly benefit against inflation. Your premiums may be higher if you choose this option.

The RPI is a way of measuring the impact of inflation on family budgets and is published by the Government. If we cannot use the RPI, we will use an index comparable to the RPI instead.

If the change in RPI is less than 1%, then both your premium and monthly benefit will stay the same until the next review.

If you decide not to increase the monthly benefit for three years in a row, we won't offer you this option again.

Increasing cover cannot be selected if the basis of cover is to meet loan repayments.

Your premiums

Guaranteed premiums

Your premiums will remain the same during the length of your policy unless you make any changes.

Premiums for Increasing cover

If you choose an increasing policy your premiums will increase in line with the changes in the Retail Prices Index (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.

By applying a factor in this way, we are able to take account of the increasing likelihood of making a claim as your employee gets older.

If the change in RPI is less than 1%, both your premium and monthly benefit will remain the same until the next review.

Age limits

You can take this policy out from your employee's 18th birthday up until their 60th birthday. The minimum length of the policy is five years and the maximum length of the policy is 20 years. The policy must end before their 70th birthday.

There may be certain occupations that have limitations on the length of the policy.

Monthly benefit

The table below shows how we will work out the monthly benefit and outlines the maximum monthly benefit we will allow.

How to calculate the maximum monthly benefit that can be chosen at the start of the policy	Maximum monthly benefit for level cover	Maximum monthly benefit for increasing cover
Up to 2.5 times the employee's earnings to meet the cost of hiring a temporary replacement employee	£20,833 per month (£250,000 per year)	£14,583 per month (£175,000 per year)
Up to 75% of the business's gross profit which can be attributed to the contribution of the key employee	£20,833 per month (£250,000 per year)	£14,583 per month (£175,000 per year)
The part of repayments and related interest to a business mortgage or loan which relate to the contribution of the key employee	£20,833 per month (£250,000 per year)	Not available

Cover can be arranged on only one of the bases above.

If an increasing policy is selected, subsequent increases cannot increase the monthly benefit above £20,833 (£250,000 per year).

Example: Using Key Person Income Protection to cover cost of hiring replacement

The employee earns an annual salary of £50,000. We will cover up to 2.5 times that amount, providing a maximum amount of cover of £10,416.66 a month (£125,000 per year).

Example: Using Key Person Income Protection to protect gross profit

The average annual gross profit provided by a business over the last three years is £400,000. The Managing Director of the business is responsible for 60% of this, or £240,000 (60% x £400,000). The plan can be used to cover up to 75% of this figure, providing a maximum amount of cover of £15,000 a month (£180,000 per year).

Example: Using Key Person Income Protection to protect ongoing loan repayments

The business takes out a loan of £2.5 million to fund a management buyout. There are two directors who are equally responsible for the business and repaying a loan which needs to be repaid after 15 years.

The terms of the loan require that insurance is put in place to meet the monthly loan repayments should the directors become ill and unable to work. Since the monthly repayments are currently £21,096 assuming 6% annual interest, each director will need to insure for a monthly benefit of £10,548 to meet their share of the repayments.

Taxation

This section is based on our current understanding of the tax rules which may change in the future. You should speak to your tax adviser if you have any questions.

Premiums may count as a business expense for tax purposes where the policy complies with a number of conditions referred to as the Anderson principles.

- The policy is arranged by the business as employer on the life of an employee.
- The employee has a less than 5% shareholding in the business.
- The policy is arranged to meet a loss of profit arising as a result of the employee's absence.
- The term of the policy is no longer than the employee's expected usefulness to the business.

Premiums are unlikely to count as a business expense for tax purposes where cover is arranged to meet the cost of hiring a temporary replacement or to meet ongoing loan repayments to a business mortgage or loan.

The business is likely to have to account for any benefits from the policy as a trading receipt, however this will be dependent on the facts and the opinion of HMRC.

Deferred periods

We will only start to pay the monthly benefit after your employee has been incapacitated for an initial period of time, known as the deferred period.

You can choose a deferred period of four, eight, 13, 26 or 52 weeks.

If you select a four week deferred period, you must tell us of any claim within two weeks of your employee becoming incapacitated. For all other deferred periods you must tell us within four weeks. If you don't do this, we may not back date your claim.

We will pay the monthly benefit monthly in arrears. This means that the first payment will be made four weeks after the deferred period ends.

The business must continue to pay premiums throughout the selected deferred period and whilst the claim is being processed. We will confirm to you when it's no longer necessary to pay premiums, which will be suspended while the monthly benefit is being paid. Any overpaid premiums will be returned to you. When the claim ends, the business will need to start paying premiums again to make sure that cover continues.

When selecting the deferred period for Key Person Income Protection, you will need to think about how long your business will be able to accommodate a loss of income or ongoing loan repayments, or how long you will be able to meet the cost of funding a replacement in the employee's absence.

How long will the monthly benefit be paid?

You will need to consider how long you need to provide a monthly benefit for.

The policy can be arranged to pay a monthly benefit for up to 12 or 24 months in the event of an individual claim.

You can make multiple claims, please see the Policy Booklet for more information.



Benefits

The following benefits are automatically included at no extra cost. These benefits may have eligibility criteria and restrictions that apply.

Waiver of premium

Your business won't need to pay premiums if your employee becomes incapacitated and you receive a monthly benefit from us. However, you must continue to pay premiums during the deferred period prior to a claim being paid.

Proportionate benefit

If your employee is able to return to work in a reduced capacity with fewer responsibilities, we will pay a proportion of the policy's monthly benefit which takes account of the market salary that you would otherwise pay someone for undertaking that role and responsibilities. Please see the Policy Booklet for more information.

Linked claims

The deferred period won't apply if you need to make a second claim within 12 months of a prior claim for the same or related illness. However, the business will need to pay premiums between claims.

You will only be able to make a linked claim for the remainder of your chosen benefit period.

Please see the Policy Booklet for more information.



Changes to the policy

Can I make changes to my policy?

It is possible to make changes to the policy. Please talk to us and we will consider your request and let you know if what you're asking for is possible and what the new premium will be. A new policy may be set up if you make changes to your policy which may be subject to different terms and conditions.

Can I increase the level of cover?

You can apply to increase the monthly benefit without needing the employee to provide us with further medical and financial information in the event of one of the following:

- if cover is to fund a temporary replacement and the life insured's earnings have increased, or
- if cover is to protect the gross profit attributable to the life insured that has since increased, or
- if cover is to meet ongoing repayments to a business mortgage or loan that has since increased.

Eligibility criteria applies, please see the section headed 'Changing your policy' in your Policy Booklet for further information.

What happens if my employee moves or travels abroad?

The plan is only available to businesses that are registered and operate in the UK. However, cover can continue to be provided if your employee travels to or resides within the European Union, USA, Canada, Australia, New Zealand, the Isle of Man or the Channel Islands.

The policy will remain in force if they travel or reside in any other part of the world for up to 12 consecutive months. In the event of a claim, we will only pay the monthly benefit for up to 6 calendar months if they have cause to make a claim and continue to reside outside the countries listed above.

What happens if the employee leaves or is no longer a key employee?

You will need to notify us if the employee covered by this policy should leave and no longer works for your business or is no longer a key employee so that we can cancel your policy.



Further information

What if I want to cancel or claim?

You can cancel your policy at any time. When your business first takes out your policy you will have the opportunity to cancel. If you cancel within 30 days, we will refund any premiums you've paid. If you cancel your policy at a later stage, you will not get any money back.

To cancel or claim you can write to us at:

Claims or Cancellations Department
Legal & General Assurance Society Limited
City Park
The Droveaway
Hove
East Sussex
BN3 7PY

Or call or email us:

- For Claims : **0800 027 9830*** health.claims@landg.com
- For Cancellations : **0370 010 4080***

How do I complain?

If you have a complaint about our service or would like a copy of our internal complaint handling procedure, please contact us at:

Legal & General Assurance Society Limited
Four Central Square
Cardiff
CF10 1FS

Telephone: 0370 010 4080*

Making a complaint doesn't affect your legal rights. If you're not happy with the way that we handle your complaint, you can contact the Financial Ombudsman Service at:

Exchange Tower
London
E14 9SR

complaint.info@financial-ombudsman.org.uk
www.financial-ombudsman.org.uk

* We may monitor or record calls. Call charges will vary.

The Financial Services Compensation Scheme (FSCS)

We are covered by the Financial Services Compensation Scheme (FSCS). You may be entitled to compensation from the scheme if we cannot meet our obligations. Whether or not you are able to claim and how much you may be entitled to will depend on the specific circumstances at the time. For further information about the scheme please contact the FSCS at: www.fscs.org.uk or call them on: 0800 678 1100.

Alternative formats

If you would like a copy of this in large print, braille, PDF or in an audio format, call us on **0370 010 4080**. We may record and monitor calls. Call charges will vary.

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Legal and General Assurance Society Limited

Registered in England and Wales No. 00166055

Registered office: One Coleman Street, London EC2R 5AA

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