

# Policy Summary



## Executive 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 insure the cost of providing ongoing sick pay for a named employee. 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.

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 your employee's earnings do not support the level of cover you have selected and/or they receive continuing income while you are claiming under this policy we will reduce the monthly benefit that we will pay. If this happens, 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 (if chosen) ,
- the employee dies,
- the employee no longer works for the business or the business ceases to trade. We will, however, consider individual requests to continue paying monthly benefit for claims already in payment.
- 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 don't provide full and honest answers to our questions about your employee .

- 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 you're covered for, we won't offer you this option again.

## 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

The policy must end after your employee's 50th birthday but before their 70th birthday or planned retirement date, whichever is earlier. You can take this policy out from your employee's 18th birthday up until their 60th birthday. If your employee is 45 or over when you take out the policy, the minimum length of the policy is five years.

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.

| <b>Product</b>                         | <b>How to calculate the maximum monthly benefit that can be chosen at the start of the policy</b> | <b>Maximum monthly benefit</b>   |
|--|---|--|
| Executive Income Protection            | 80% of the employee's annual earnings.  | £25,000 per month (£300,000 per year)  |
| Increasing Executive Income Protection | 80% of the employee's annual earnings.  | £17,500 per month (£210,000 per year) at the start of the policy, increasing to no more than £25,000 per month (£300,000 per year) |

The monthly benefit is based on the pre-tax earnings that the employee receives during the 12 month period immediately prior to incapacity. This can include salary, overtime, bonuses and the value of any P11D benefits they receive.

If they are a shareholding director, we can take into account any dividends they receive as part of their overall remuneration during the same period which will cease in the event of their incapacity and which do not exceed the employee's share of net trading profit.

Cover may also include taxable earnings (up to the personal allowance for income tax purposes), benefits and dividends payable to the employee's spouse or civil partner by the policy owner during the same period which would stop in the event of the employee's incapacity.

We will regularly review and may adjust the maximum monthly benefit payable under this policy by the following sources of additional income that the employee may receive during the claim, so that the combined amount of the maximum monthly benefit payable and those sources of additional income do not exceed 80% of the employee's pre-incapacity earnings and dividends:

- Ill health pension / early retirement scheme.
- Income or dividends paid in addition to monthly benefit paid by this policy.
- Benefits the employee might receive from other sickness and income protection policies.

Please see the Policy Booklet for more information.

### *Example*

An employee is paid an annual salary of £50,000. The plan will cover up to 80% of the employee's usual earnings, providing cover £3,333 a month (£40,000 a year).

## Additional cover

Optional - must be chosen at the start of the policy for an additional cost.

Additional cover can help with employer National Insurance contributions and employer pension contributions that your business will incur when using the monthly benefit to fund the employee's sick pay. If an increasing policy is chosen any additional cover you add to your policy will also increase in line with the RPI.

You can choose to add one or both of the following to your policy, in addition to the monthly benefit described in the section headed 'Monthly benefit':

### **Employer National Insurance Contributions (NICs)**

We will increase the monthly benefit amount to fund employer NICs, which we will calculate at the start of the policy by applying current National Insurance rates and thresholds to the amount of earnings you wish to cover. In the event of a valid claim we will pay the lesser of the following:

- the additional cover requested,
- the actual amount of employer National Insurance contributions that are due,
- £42,500 a year.

Please note that employers may not need to pay employer NICs in respect of employees who are under 21 or under 25 and serving an apprenticeship. This is based on our current understanding of HMRC rules and you should seek advice from a Tax Adviser.

### **Employer pension contributions**

We will increase the monthly benefit amount to cover employee pension contributions that your business must continue to make to an approved pension on the employee's behalf. In the event of a valid claim we will pay the lesser of the following:

- the additional cover requested,
- one third of annual earnings and dividends,
- the average of employer pension contributions paid during the last three years prior to incapacity,
- £40,000 a year.

## Taxation

This section is based on our current understanding of the tax rules which may change in the future. Please seek advice from your Tax Adviser.

The premiums you pay should not be treated as a benefit in kind for the employee and will not usually be treated as a business expense for tax purposes where the employee has a financial interest in the business. You may be able to obtain agreement from HM Revenue and Customs (HMRC) that the premiums can be treated as a business expense for tax purposes.

In the event of a claim, the benefit will in most cases be treated as a trading receipt for tax purposes. However, it should 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 passed on to the employee after deduction for Income Tax and National Insurance under the normal PAYE process. The business will also need to pay employer's National Insurance and meet any ongoing pension contributions payable in respect of the employee's salary. Additional cover can be arranged under this plan to address these costs.

## 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 should consider how long your business will be able to fund the employee's ongoing earnings when selecting 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.

## 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 set up so the monthly benefit can either be paid out for the duration of a valid claim or for a limited benefit period of 12 or 24 months.

If you choose a policy with a limited benefit period, each individual claim will be limited to the length of time chosen at outset.

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.

If you choose a plan with a limited benefit period, you will only be able to make a linked claim for the remainder of that 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 information in the event of one of the following:

- if your employee receives an increase of earnings due to change of employment or promotion, or
- on every third policy anniversary date.

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.

## Do I need to tell you if my employee's occupation changes?

Once the plan is in place, you don't need to tell us if your employee changes the type of work they do unless a claim is made

## What happens if the employee leaves?

You need to tell us if the employee is no longer employed by the business. If the employee leaves your employment and gets another job the Continuation Cover option can be used to transfer ownership of the policy to their new employer. This would need to be agreed with the new employer and is subject to terms and conditions. Please refer to the Policy Booklet for further details.





## 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](mailto: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  
Knox Court  
10 Fitzalan Place  
Cardiff  
CF24 0TL

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](mailto:Complaint.info@financial-ombudsman.org.uk)  
[www.financial-ombudsman.org.uk](http://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](http://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.

[legalandgeneral.com](https://www.legalandgeneral.com)

**Legal & General Assurance Society Limited**

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