



A guide to flexible and voluntary benefits

1. Introduction

Employees have different lifestyles and needs. As they move through their working lives, these are likely to change. Protect, flexible and voluntary benefits can help an employee create a personal package of benefits to suit their needs, instead of the 'one size fits all' approach of traditional employee benefits.

The range of benefits, the degree of flexibility and level of funding, reflect your organisation's culture and reward agenda. For example, if you want to promote employee health and wellbeing you can structure the **scheme** to make it more attractive for employees to select health-related benefits rather than, say, leisure pursuits.

We believe that empowering employees to make benefit choices can help improve their engagement.

You can control your costs by sharing them with your employees. Additionally, Protect, flexible and voluntary benefits can provide options which make it possible to maximise tax efficiencies.

Flexible benefit **schemes** allow employees to vary or 'flex' the benefits provided. With voluntary benefits, the employee can choose whether or not to buy the benefit being offered.

Protect introduces a new way for employers to facilitate cover; through its interactive online experience. Employees can learn about the different benefits on offer and choose cover at any time.

This guide aims to explain the way these benefits work and how Protect, flexible and voluntary products can help you and your employees.

This guide uses technical terms. We've shown these in bold. You can find the definitions of these words in the glossary on page 17. Please ask us if you have any questions about these. Each **policy** will have unique terms. To find out what we'll cover and how claims are assessed, please refer to the relevant technical guide (please refer to section 4, 5 and 6).

2. Which group protection products?

Group Life Assurance

Pays a lump sum to the insured person's **dependants** following their death. Can be set up to:

1. Insure the life of an employee, either as a Protect, flexible or voluntary benefit.
2. Insure the life of an employee's **partner** as a voluntary benefit.

Dependants' Pensions

Following the death of an insured employee, can provide a regular monthly income to their **dependants**. Can be insured as a flexible benefit.

Group Income Protection

Pays a regular monthly income when an insured employee is unable to work due to long-term illness or injury. We'll work with you and the insured employee where appropriate, by providing support and rehabilitation to help them return to work. Can be insured as a Protect or flexible benefit.

Group Critical Illness Cover

Pays a lump sum benefit to an insured employee if they are diagnosed with one of the specified conditions at the end of a survival period. Can be insured as a Protect, flexible or voluntary benefit. There's also the option for the insured employee to cover their **partner** under voluntary benefit.

You (or trustees) will always be the policyholder and must decide:

- which products to include in a flexible or voluntary benefit **scheme**,
- for flexible benefits, the minimum level of each benefit to provide (we call this the core benefit), and
- the options an employee has for making changes to their benefits.

3. What are the advantages?

Choice

- Employees choose how much they want of each benefit, within the rules of the **scheme**.
- Over time, employees may want and need different benefits. Protect, flexible and voluntary benefits are designed to allow the reward package to evolve and remain relevant to the employee.

Range

You can offer a wide range of benefits to appeal to the diverse needs of your employees.

Engagement

As employees get involved with choosing elements of their benefits, they'll have a greater awareness of what's being provided.

Costs

- National Insurance (NI) savings (for your employee and you) if salary sacrifice is used for registered death in service benefits.
- Helps you control costs because:
 - the amount you spend can effectively be 'ring fenced'; and
 - you can focus spending, on the benefits your employees want.

4. Protect

Working with employers for over 90 years providing Group Protection, we've seen the desire for greater flexibility when it comes to benefits. We created a new type of Group Protection proposition, one where you can choose to give your employees the flexibility to assess and amend their benefits - any time, any place.

It couldn't be any easier

1. Choose your protection products
Select the level of protection you need from any combination of Life cover, Income protection and Critical illness cover.
2. Add flexibility
You can give employees the freedom to adjust their cover choices from within the protection products and the cover limits you've made available to them.
3. Provide an allowance
An optional extra – you can offer employees a dedicated amount to spend on their own choice of the protection benefits. This allows you the option of running it as a flexible benefit **scheme** rather than a voluntary benefit (please refer to section 5 and 6 for more details on flexible and voluntary benefits).

The many benefits of Protect

For you

- Quick and easy to set up with no platform fees
- Offers flexibility to build a benefits package that suits both the business and your employees
- Uses regular employee feedback to give an engagement score
- Includes real time data and a digital experience to enable the latest view of **scheme** information, simpler administration and accounting

For your employees

- Gives 24/7 access, allowing employees to shape their cover at any time around their lifestyle and budget
- Keeps employees engaged with their benefits, through ease of use and clear explanation of their cover options
- Provides an all-round better experience with Instant underwriting decisions and cover starting the very next day
- A single, seamless underwriting journey across any of the available protection products chosen

Flexible and voluntary benefits

Legal & General Protect Group Protection benefits

We normally apply the following terms:

	Group Life Assurance	Group Income Protection	Group Critical Illness
Minimum Membership		500	
Minimum benefit operating as a flexible scheme	Choose your own core level	25% salary	Voluntary only
Minimum benefit operating as a voluntary scheme	No set minimum	25% salary	£10,000
Maximum total benefit	The lower of 25 x salary or £5 million	The lower of 75% of salary or £350,000 Additional benefit such as pension scheme contributions can be covered	£500,000
Flex step or unit size/ Maximum step increase	No step or unit size. Cover can be selected at any level within the minimum and maximum benefit		
Benefit Increases allowed	Any time 24/7 - limited to one change per day (subject to health and lifestyle questions)		
Underwriting requirements	Online health and lifestyle questions must be answered to select and change cover		

Flexible and voluntary benefits

Notes:

1. The employee will be medically underwritten online when they make changes to their cover by answering some questions about their health and lifestyle.
2. Both increase and decrease of benefit are allowed at any time.
3. You can decide if you want to offer a core level of benefit similar to a flexible **scheme** for life cover or income protection or if you want to provide Protect products as voluntary offerings.

For further details about our Protect benefits, please see our website and technical guide:



legalandgeneral.com/employer/group-protection/protect



Protect technical guide

5. Flexible benefits

Flexible benefits make it possible for your employees to vary their benefits to suit their personal requirements. They can change the mix of benefits they receive, or adjust their salary by taking fewer or more benefits. You may fund all or part of the benefits.

It's important to stress, there is no standard approach to flexible benefits. Flexible benefits can normally be split into core and non-core.

Core benefits

Core benefits are normally mandatory and paid for by you. We may apply a condition for a minimum level, this can be reflected by the core benefit.

Core benefit premiums can be calculated using a **scheme** specific **unit rate** applying to all employees, adjusted month by month as the **membership** changes.

Non-core benefits

Non-core benefits are offered to employees either as additional benefits or as a top-up to core benefits. **Scheme** rules govern when and by how much an employee can make changes to each benefit – a process referred to as 'flexing'. Changes can usually be made at:

- the **annual renewal date** (also called the annual enrolment date); or
- a lifestyle event.

Non-core or flexible benefit premiums are typically calculated with **scheme**-specific age-related rates. As with the core **benefit** premiums, they're adjusted monthly.

There can be a number of options when setting up a flexible benefits **scheme** and how the benefits are paid for. One option is for the core to be paid for by you with a further fixed amount, allocated for the employee to spend across a number of other product options.

For an explanation of 'Lifestyle Events,' please see page 11.

Example: Normally core benefits are set at a minimum level of cover for a particular product such as life cover. The employee can then incrementally increase their cover under non-core benefits, when eligible.

Flexible and voluntary benefits

Non-core benefits can be funded in the following ways:

Flex pot

A percentage of salary which the employee may have the option to spend on a range of benefits.
This may also be referred to as benefit allowance and flex account.

Benefit 'trading'

More of one benefit can be taken by taking less of others, for example, selling holiday entitlement to buy some income protection cover.

Salary sacrifice

Employee gives up or sacrifices part of their salary – in exchange you provide a non-cash benefit. For example, life insurance, pension or childcare vouchers.

You could use the NI saving to help manage the administration of the arrangement.

Legislation restricts the benefits that can be provided through salary sacrifice. You may find it helpful to seek tax advice before deciding to provide benefits through salary sacrifice.

Salary deduction

Dependent on the tax status of the benefit, the employee will pay with a deduction from either their net or gross salary. For example, group life assurance for employees, deductions will be made from their gross salary; for group critical illness cover deductions will be made from their net salary.

Flexible and voluntary benefits

Legal & General flexible Group Protection benefits

We normally apply the following terms:

	Group Life Assurance	Dependants' Pensions	Group Income Protection	Group Critical Illness Cover
Minimum membership	100	100 (waived if combined with group life)	100	100
Minimum core benefit	1 x salary or £10,000	15% salary	40% salary	1 x salary or £10,000
Maximum total benefit	12 x salary (can consider higher limit depending on individual circumstances)	No set maximum	£350,000	The lower of 5 x salary or £500,000
Benefit increases allowed	At Annual renewal date or lifestyle event			
'Flex' step size	1 x salary	% of salary or prospective pension, as agreed	% of salary, as agreed*	1 x salary
Max 'step' increase	1 or 2 steps , as agreed	1 step	1 step	No limits on the number of incremental steps

Notes:

- Increases in benefit ('flexing up') may occur at the **annual renewal date** or following a Lifestyle Event.
- Decreases in benefit ('flexing down') can take place at any **monthly accounting date** by any number of **steps**. The benefit cannot go below the core.
- On joining the **scheme** (or on the date flexible benefits are introduced) depending on eligibility, employees select any level of cover between the minimum and maximum, for each benefit.
- *Our Multiflex Group Income Protection (GIP) product allows both the amount of benefit and the length of payment term to be 'flexed'. An extension of the payment term counts as one '**step**'.
- We apply the medical '**free limit**' to the combined core and non-core benefit.
- A pre-existing and related condition exclusion applies to critical illness cover.

Flexible and voluntary benefits

'Lifestyle events' are a defined set of circumstances which could impact the employee's benefit needs. When a lifestyle event occurs, the employee can change their level of benefit from the next **monthly accounting date**, rather than wait until the next **annual renewal date**.

Standard Lifestyle Events are:

- marriage or registering a civil partnership
- birth of a child
- adoption of a child
- death of a **dependant**
- divorce or dissolution of a registered civil partnership.

We can consider additional lifestyle events if they meet our **policy** terms.

Following a lifestyle event, changes to benefit levels must usually be completed within two months.

Lifestyle events are not applicable to Protect as increases can be made at any time.

For further details about our flexible benefits, please use our standard technical guide for more information:



Group Life Assurance and Dependants' Pensions



Group Income Protection



Group Critical Illness Cover

6. Voluntary benefits

Products and services you don't pay for, can often be offered to your employees as voluntary benefits. You can help promote this facility at the workplace. The cost can normally be more favourable than if your employees purchased it directly. However, cover ends when the employee leaves your employment.

The benefit is delivered through a 'group' contract between you and us.

Flexible and voluntary benefits

Legal & General voluntary Group Protection benefits

The following terms usually apply:

	Life Assurance Employee*	Life Assurance Partner*	Critical Illness Cover Employee**	Critical Illness Cover Partner**
Minimum membership new scheme	<ul style="list-style-type: none"> 2,500 potential members (stand alone) 500 potential members (linked to a standard or flexible benefit Legal & General group protection scheme). 			
Minimum membership existing scheme moving to us	100 inforce members			
Minimum total annual premium	£2,000 per policy			
Maximum individual benefit	£250,000	£250,000	The lower of £250,000 or 5 x salary	£150,000
Underwriting requirements	Answer our health and lifestyle questions by application form to select and increase cover		Pre-existing and related condition exclusions	
Unit size	Usually £10,000 or £25,000			
Benefit increases allowed	At any monthly accounting date		At Annual renewal date or Lifestyle event	
Maximum 'unit' increase	There's not normally a limit on how many units of cover are increased at any one applicable time			

* We'll issue separate policies for employee and for **partner** life assurance.

** We'll issue a single **policy** for employee and for **partner** critical illness cover.

Flexible and voluntary benefits

Applications for Life Assurance or Partner Life Assurance

Employees applying for the first time or those selecting higher cover levels, will need to complete an application form, where they'll need to answer some health-related questions.

If the health-related questions can be answered 'no,' the application has been successfully completed. If one or more of the questions is answered 'yes,' it may still be possible to provide cover. However, they must provide more health-related information – our preferred way of gathering this is by telephone interview. We'll then decide whether or not we can provide cover or if additional terms will be applied.

Applications for Critical Illness Cover

We don't ask for evidence of good health when the application is made. However, new cover:

- is subject to a pre-existing and related condition exclusion, and
- can only take effect on the date the employee first becomes eligible, the **annual renewal date** or following a lifestyle event.

For an explanation of 'Lifestyle events,' please see page 11. For an explanation of pre-existing and related conditions exclusions, please refer to the voluntary critical illness cover technical guide noted below.

See the relevant Technical Guide for more information:



Voluntary Life Assurance Plan



Voluntary Life Assurance Plan for Spouses and Partners



Voluntary Critical Illness Cover

7. What is your role?

When setting up a Protect, flexible benefit or voluntary benefit **scheme**, you have certain duties. With a group protection benefit insured with us, you must be able to:

	Flexible and Voluntary	Protect
Explain the benefits you've made available and our terms and conditions to your employees	✓	This is done for you
Apply the eligibility terms set by us	✓	This is done for you
Calculate premiums	✓	This is done for you
Pay the correct amount to us each month	✓	✓
Ask your employees to provide us with medical evidence, when necessary	✓	This is done for you
Maintain reliable membership records and send us monthly data	✓	✓
Tell us about claims and pass payment onto eligible beneficiaries in accordance with the scheme	✓	✓

8. What will we do?

Depending on the type and size of **scheme** we can:

- draft explanatory literature for employees
- attend employee roadshows
- provide an Employee Assistance Programme that offers all your employees support and help with everyday issues in their work and personal life
- for flexible and voluntary products we provide you with up-to-date **unit rates**, rate tables and **free limit** (we'll always give you at least three months' notice of any changes)
- for Protect products we provide employees with individual rates and a single seamless underwriting journey. We'll also take on some of your normal duties (see section 7).

9. Glossary

Annual renewal date

The anniversary date of when your **policy** starts or another yearly date that we've agreed with you.

Dependant

Individual who in our opinion is (or was) wholly or partly maintained or financially assisted by the **member**.

Free limit

The maximum amount of cover we will provide to a **member** without the need for medical evidence or details of their hobbies. We'll tell you the free limit in our quote as a level of benefit or **scheme earnings**.

Member

Employees included in the **scheme** in accordance with the eligibility terms.

Membership

The **members** covered by the **policy**.

Monthly accounting date

This is the first day of each monthly accounting period. Normally this is the **annual renewal date** and the same day of every month afterwards.

Partner

In relation to the employee, it can be their spouse, registered civil partner or unmarried partner, in general who:

- is financially dependent on the employee, or with whom financial interdependency exists which contributes to the employee's standard of living;
- is over the age of 16;
- has the same main residence as the employee; and
- is not a foster child or child of the employee.

Policy

The legal contract between you and us. You choose how much of the benefits to insure under the policy.

Scheme

The arrangement you have set up to pay the benefits promised to your employees.

Scheme earnings

The earnings we use to work out a **member's** benefit.

Step

The amount that a **member** can add to or subtract from their level of cover, when permitted by the **scheme** rules.

Unit rate

The cost for each £100 of cover, multiplied with the total **scheme earnings** or total benefit for the **policy**. We'll tell you the unit rate in our quote.

Flexible and voluntary benefits

Contact us



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We may record and monitor calls. Call charges will vary.



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