



# Ill health early retirement benefit

Helping you understand our policy

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**Technical guide**

This is an important document which we suggest you keep in a safe place.

IHERB 02/2015



# Using this document

## What is a technical guide?

The Financial Conduct Authority is a financial services regulator. It requires us, Legal & General, to give you important information to help you decide whether our Ill Health Early Retirement Benefit **policy** is right for you. You should read this document carefully so you understand what you're buying, and then keep it safe for future reference.

If there's anything you need to ask about once you've read it, you can ask us or your financial adviser.

## Before you start reading

We've used plain language to help make the technical guide easier to understand. You'll find explanations of any technical terms we use in the glossary, which is at the rear of this document. Where terms covered in the glossary appear in the main text, we've highlighted them in bold, **like this**.

We use words like 'normally' and 'usually' in this guide. This is because some of our terms will depend on the information you give us for the quote and the choices you make about the cover you want. We'll give you the exact terms and chosen options in our quote and we'll fix these at the start of the **policy**. You'll only be able to change these if we agree.

You can ask us, or your financial adviser, if you need more details about how the **policy** works.

## Other documents

This technical guide is not part of our contract but if we've given you or your financial adviser a quote, you should read this guide alongside that quote to help you understand the **policy**.

Our quote, which is a part of the contract, may refer to some of the explanations we give in this guide.

Our full terms and conditions will be in our **policy**. We'll give this to you after we've agreed to provide cover. You can ask us, or your financial adviser, if you would like to see a copy of our standard **policy** terms and conditions.

See question 2.1 to find out what we need to set up your policy.

## Target market

To help financial advisers get a better understanding of the intended target market for our Ill health early retirement benefit, please visit our **financial adviser website**. Here, we also explain how we regularly review our policies for appropriateness under our Product Lifecycle Management process. Details can be found at:

[legalandgeneral.com/adviser/workplace-benefits/group-protection/products/products-list/idd](https://legalandgeneral.com/adviser/workplace-benefits/group-protection/products/products-list/idd)

## About Legal & General

Established in 1836, Legal & General is one of the UK's leading financial services groups and a major global investor. With almost £1.2 trillion in total assets under management at 31 December 2019, we are the UK's largest investment manager for corporate pension schemes and a UK market leader in pensions de-risking, life insurance, workplace pensions and retirement income.

We're a leading provider of Group Protection cover in the UK with over 85 years of expertise and knowledge. We looked after 4,800 group protection **policies** and provided protection to over two million employees at the end of 2019.

## Solvency and financial condition report (SFCR)

We are required to publish an annual Solvency and Financial Condition Report (SFCR) describing our Business and its Performance, our System of Governance, Risk Profile, Valuation for Solvency Purposes and Capital Management. Our latest SFCR is available at:

[legalandgeneralgroup.com/investors/library](https://legalandgeneralgroup.com/investors/library)



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# Aims, commitments and risks

## Its aims

Our Ill Health Early Retirement Benefit **policy** aims to provide insurance to pay a lump sum if:

- the **member** qualifies for and takes ill health early retirement under the rules of your **pension scheme**;
- the **member** meets the definition of **permanent incapacity** under the **policy**; and
- a **strain cost** is caused by the **member** retiring early due to ill health.

The lump sum will be the amount agreed between you and us at the later of the **policy start date** or the last **annual renewal date** before the **member** first met the definition of **permanent incapacity**. The lump sum will be the agreed amount and will not exactly match the **strain cost** to the **pension scheme**.

The lump sum will be paid to the **pension scheme trustees**.

## Your commitment

You need to make some very specific commitments for the **policy** to work properly:

- To give us all the information we ask for when you apply for a **policy** and at each **annual renewal date**. We can change or cancel the **policy** if you don't give us this information. **Please see question 4.1 for more details.**
- To tell us about any new entrants, early entrants or late entrants you would like us to cover and any leavers.
- We will need more information about early and late entrants before we can consider cover under the **policy** for them. **Please see question 2.5 for more details.**
- Tell us about a claim within the time limits set out in **question 5.1** and give us all the information we ask for to support any claims. Without this we won't be able to pay the claim. **Please see question 5.0 for more details.**
- Pay the premiums on the dates we ask for them.
- Keep to all the conditions set out in the **policy**.

### Risk factors

- We will stop cover if you stop paying premiums, or you fail to keep to our terms and conditions. We will tell you in writing 14 days before we do this.
- The premiums may go up or down depending on changes in the number of **members** we cover under the **policy**. We usually guarantee the **unit rate** until the first **annual renewal date**. We will then review it, following which we will usually guarantee the new **unit rate** for the next year. However, if you change the insured basis then we may review the **unit rate**.
- We may also review the **unit rate** if a change is made to your **pension scheme** which affects your **policy**.
- We can change the **policy** terms at the end of any **unit rate** guarantee period, although we will give you at least 30 days' written notice of any change.
- We'll need employees to be **actively at work** before they can be included for cover under the **policy**. The **actively at work** requirement will also be applied before **we** can start covering any increase in cover in respect of a **member**. This means an employee

or an increase in benefit in respect of a **member** won't be covered under the **policy** until they meet our **actively at work** requirements. **Please see question 2.4 for more details of the definition of actively at work.**

- There are some reasons why we won't pay a claim. For example, if we don't receive the medical evidence for an employee when we ask for it. **Please see question 6.0 for more details.**
- We won't pay benefit in respect of an employee who met the definition of **permanent incapacity** at the date they were included for cover under the **policy**. **Please see question 1.9 for more details of the definition of permanent incapacity.**
- We may not pay benefit in respect of a **member** if the claim results from a **pre-existing condition**. **Please see question 2.3 for more details.**
- A **member** may be eligible for ill health early retirement under the rules of your **pension scheme** but not meet the **permanent incapacity** definition under the **policy**. We won't pay benefit

in respect of a **member** who you early retire but who doesn't meet the **policy** definition of **permanent incapacity**.

- We won't pay a claim for benefit if you notify us of the claim more than 90 days after you identify a **member** as being eligible for ill health early retirement. **Please see question 5.1 for more details.**
- The lump sum benefit insured under the **policy** will not equal the **strain cost** to the **pension scheme**.
- We cannot give actuarial advice and you may want to consult your pension fund actuary to make sure the selected cover is appropriate to your needs.
- We recommend you seek tax advice for your specific circumstances. **Please see question 8.0 for more details.**
- If we include an event limit, we'll restrict the total amount of benefit we pay for claims if caused by a catastrophe. **Please see question 6.0 for more details.**



# How the policy works

- We will need a minimum of 100 **members** to start a **policy**. We can cancel the **policy** if the membership falls to less than 50 **members**. If we do this, we'll write to you at least 30 days before we cancel the **policy**.
- You pay the premiums under the **policy**.
- We'll give you the specific terms and conditions in the quote. We'll guarantee the quote for three months unless we tell you otherwise.
- There are **policy** options you can choose which affect how much you pay. We'll fix your chosen options, including the eligibility, cover and terms at the start of the **policy**. You'll need to tell us if you want to change these as we need to assess if we can agree the change. We may also need to set new terms and change the **unit rate** and the premium we charge you.
- You must include all eligible employees for cover under the **policy** as soon as they are eligible.
- We won't pay benefit in respect of an employee who isn't eligible for cover. [Please see question 1.1 for more details about eligibility.](#)
- You must give us all the information we need when you make a claim.
- We won't pay a benefit in respect of a **member** if they don't meet the definition of **permanent incapacity** under the **policy**. [Please see questions 1.9 and 5.1 for more details.](#)
- If you make a valid claim we will pay the lump sum benefit in respect of the **member** to the **pension scheme trustees**. The **pension scheme trustees** are responsible for arranging the ill health early retirement pension for the **member** and accounting for any tax due.
- Cover for a **member** will end when we pay benefit in respect of them. They cannot be included for cover again under the **policy** at a later date.
- We will need up-to-date information from you at each **annual renewal date** so we can check the premium and give you accurate accounts. [Please see question 4.1 for more details.](#)
- You will need to let us know whenever there are any changes to the **pension scheme** rules or actuarial basis for your **pension scheme**. If we agree to change the **policy** to take account of the new way of calculating the **strain cost**, we may review the **unit rate** and terms of the **policy**. We will not be insuring the new basis until you accept our terms for the changes.
- We can change the **policy** terms at the end of any **unit rate** guarantee period, for example, if the number of **members** significantly changes. If we do this, we'll write to you at least 30 days' before we change the terms.
- The **policy** will continue indefinitely as long as you meet its conditions, including paying premiums when they are due. [Please see Risk Factors on page 5.](#)
- While you continue to pay premiums, we will provide cover and pay all the valid claims you make.
- We'll give you full details of our cancellation rights in the **policy**.
- We can change or cancel the **policy** if there are changes to legislation or regulation which affect this **policy** or your **pension scheme**. We'll give you more information on these rights in the **policy**.







## Your questions answered

In this section we've answered some commonly asked questions to give you a bit more information about how the **policy** will work.



# 1.0 What should be considered when deciding which benefits to choose?

Different benefit categories	How much to insure	Check our quote
<p>We suggest you keep the benefit as simple as possible, ideally having the same basis for all <b>members</b>.</p> <p>You can group the <b>members</b> into separate categories and can have different benefit basis or amounts of cover between categories. All <b>members</b> in the same category must have the same benefit basis. As this is a group <b>policy</b>, it must cover all your eligible employees.</p> <p>You should also consider any laws on discrimination or unfair treatment. For example, those about age, equal treatment of men and women, and the treatment of part-time, fixed-term and disabled employees.</p> <p>It's important we know which <b>members</b> are in which category. We must therefore agree the eligibility conditions for each category at the start of the <b>policy</b>.</p> <p>We'll tell you the agreed eligibility conditions in our quote.</p>	<p>You can choose to take out an insurance <b>policy</b> with a benefit designed to provide cover for:</p> <ul style="list-style-type: none"> <li>• an amount that is estimated to approximately match the potential <b>strain cost</b> on your <b>pension scheme</b> should a <b>member</b> become eligible for an ill health early retirement pension; or</li> <li>• part of the potential <b>strain cost</b>. If you only insure part of the potential <b>strain cost</b> you may have to pay the difference yourself.</li> </ul> <p>Please see <a href="#">question 1.6</a> for more details on the types of cover available.</p> <p>In the event of a claim the lump sum benefit paid will be the amount agreed between you and us at the <b>policy start date</b>, or if later, the last <b>annual renewal date</b> before the <b>member</b> first met the definition of <b>permanent incapacity</b> under the <b>policy</b>. The benefit paid may not exactly match the <b>strain cost</b> on your <b>pension scheme</b>.</p> <p>The maximum benefit we can provide in respect of a <b>member</b> is £4,500,000.</p>	<p>Please check that our quote matches what you'd like us to insure.</p> <p>If you'd like us to change the options we've used, please tell us so we can change the quote. We'll tell you how any changes will affect our terms, <b>unit rate</b> and premium.</p>

 **We cannot give actuarial advice and you should consult your pension fund actuary to make sure the cover you arrange is appropriate to your needs.**





### 1.1 Who can be covered?

You can only include employees for cover under the **policy** if they:

- are **active members** of your **pension scheme**; and.
- joined the **pension scheme** at the first opportunity; and
- are included in the **policy** as soon as they meet the eligibility conditions agreed between you and us as set out in the **policy**.

We will only start cover in respect of an employee when they meet:

- the eligibility conditions under the **policy**; **We'll tell you the agreed eligibility conditions in the quote.**
- our **actively at work** requirements; and **Please see question 2.4 for more details.**
- our medical evidence requirements. **Please see question 2.5 for more details.**

You will also need to fix the date on which cover stops. We call this the **benefit termination date**. This will usually be the **normal pension age** under the **pension scheme** rules.

The maximum **benefit termination date** we'll cover is the later of the **member** reaching age 65 or their **state pension age**. The **benefit termination date** must be the same for all **members** in a particular category.

We will need at least 100 **members** to set up a **policy**.

### 1.2 When can employees be included after the policy starts?

An employee must meet the **policy's** eligibility conditions and **actively at work** requirements before they can be included for cover under the **policy**. Once these conditions and requirements are met and you have provided all the information we have requested they will be included for cover under the **policy** from the next annual entry date. Our quote and **policy** will show the entry date.

We may be able to provide cover in respect of employees before the first entry date as early entrants if they meet all other eligibility conditions. We may also be able to provide cover in respect of employees who join the **pension scheme** after their first opportunity as late entrants.

**Please see question 2.5 for more details of our requirements for employees you want to include for cover under the policy before or after they are first eligible.**

If a **member** becomes eligible to change to a different category we'll include them for cover in the new category from the next **annual renewal date** as long as any other requirements we've set are met.

### 1.3 Can insured employees who are temporarily absent be covered?

If a **member** is off work because of illness or injury we'll continue to provide cover for temporary absence up to the earlier of:

- the **benefit termination date**, or
- cover ending for any other reason under the terms and conditions of the **policy**. Please see [question 1.5 for more details](#).

Unless we tell you otherwise, if a **member** is temporarily off work for any reason other than illness or injury, the following will apply:

We'll keep cover in respect of a **member** the same as it was on the day before their temporary absence started as long as:

- the period of the absence is fixed before it starts, and is not longer than one year;
- the **member** has a right to return to the same job when their absence ends;
- the **member** doesn't do any work or activity which, in our view, puts them at more risk of illness or injury than they were at in their job with you;
- you tell us about the absence, in writing, within one month of it starting;
- you continue to pay premiums in respect of the **member**; and;

- cover doesn't end for any other reason under the terms and conditions of the **policy**. Please see [question 1.5](#) for more details.

If a **member** is on maternity, paternity, adoption or shared parental leave we'll continue to provide cover in respect of them as long as they remain entitled to the benefit under the terms and conditions of their employment.

### 1.4 When can cover for an insured employee change?

We only change cover in respect of a **member** once a year at the **annual renewal date**. This means, if you make a claim, we'll use the benefit in respect of the **member** that was agreed at the last **annual renewal date**, even if their **scheme earnings** have changed since then.

Sometimes a **member** might become eligible to change to a different category with a different benefit level, for example because of a promotion. If this happens, we'll provide cover for the new benefit level from the next **annual renewal date** after they meet the eligibility requirements for the new category as long as any other requirements we've set are met.

### 1.5 When will cover end?

#### a) Under normal circumstances

We will stop cover in respect of a **member**:

- when they leave your employment or no longer meet the eligibility conditions;
- when they stop being an **active member** of your **pension scheme**;
- when they reach the **benefit termination date**;
- if they retire early for a reason other than an event that triggers benefit to be paid from the **policy**;
- if we pay benefit in respect of them;
- when their period of temporary absence cover ends;
- if they die before we are due to pay benefit in respect of them.

#### b) If you, or we, cancel the cover

All cover will end when you, or we, cancel the **policy**.

- We'll continue your cover as long as you meet the conditions we show in the policy.
- You can cancel the policy by giving us notice in writing.

We'll give you 14 days' notice if we have to cancel the **policy** because you haven't met its conditions. We'll give you full details of our cancellation terms in the **policy** document.



### 1.6 What types of cover are available?

There are two types of cover available:

#### Pension fund actuary calculation basis

Your pension fund actuary will calculate the **strain cost** under the **pension scheme** at the **policy start date** and each **annual renewal date**. This is the extra cost to the **pension scheme** as a result of the **member** retiring early due to ill health.

You must provide us with full details of the **strain cost** calculation including the **pension scheme** rules, actuarial basis for calculating the **strain cost** and **strain cost** amounts. We will need to validate the basis before cover under the **policy** can start.

We will insure a lump sum benefit to provide cover for the potential **strain cost** on your **pension scheme** should a **member** become eligible for an ill health early retirement pension and all other requirements for benefit payment under the **policy** are met.

You will need to tell us if the actuarial basis for calculating the **strain cost** changes. You will also need to tell us if anything else changes the way the **strain cost** is calculated. If we agree to change the **policy** to take account of the new way of calculating the **strain cost**, we may review the **unit rate** and terms of the **policy**. We will not insure the new basis until you accept our terms for the changes.

As an alternative, you can insure benefits to provide cover for the potential **strain cost** above any payment you make into the **pension scheme** to provide ill health early retirement pensions.

#### Target basis

- You provide us with full details of the **pension scheme** rules and ill health early retirement basis.
- We use this information and our **strain cost** assumption tools to calculate an amount that targets the anticipated **strain cost**.
- The amount will be rounded to the nearest multiple of **scheme earnings**.
- The rounded multiple of **scheme earnings** will be used as the insured benefit when we prepare our quotation.
- We'll send our quotation with a spreadsheet showing the benefit, expressed as a multiple of **scheme earnings** for each employee.
- You will need to agree the benefit levels at the **policy start date** and each **annual renewal date**.

The benefit levels we calculate do not constitute actuarial advice. You should consult your pension fund actuary to make sure the cover is appropriate to your needs.

Whichever option you choose the lump sum benefit paid in the event of a claim will be the amount agreed between you and us at the **policy start date**, or if later, the last **annual renewal date** before the **member** met the definition of **permanent incapacity** under the **policy**. The benefit paid may not exactly match the **strain cost** on your **pension scheme**.

We may be able to agree an alternative benefit basis with you.

### 1.7 When will the lump sum be paid?

We will pay the benefit under the **policy** to the **pension scheme trustees** if:

- a **member** qualifies for and takes ill health early retirement under the rules of your **pension scheme**; and
- after assessing all the medical evidence we have determined the **member** meets the definition of **permanent incapacity** under the **policy**; and
- a **strain cost** is caused by the **member** retiring early due to ill health.

Please see question 5.0 for more details of how to make a claim.

### 1.8 What is the maximum benefit that can be covered?

The maximum cover that can be provided under the **policy** in respect of a **member** is the lower of:

- £4.5 million; and
- the **strain cost** to the **pension scheme** resulting directly and solely from the ill health early retirement pension becoming payable.

When working out if the maximum benefit limit applies to a **member** we will use actuarial techniques to estimate the potential liability arising from the **member** being ill health early retired. We will also make allowance for insured benefits being rounded up under the target basis option. The benefit levels we calculate do not constitute actuarial advice and may not exactly match the **strain cost** on your **pension scheme**.

### 1.9 How is permanent incapacity defined?

We assess a claim to see if the **member's** illness or injury means they meet the definition of **permanent incapacity** set out in the **policy**. Unless we agree otherwise the definition of **permanent incapacity** will be:

A **member** is permanently incapacitated if, as a result of illness or injury, they are and will remain **permanently incapable** of performing the **essential duties** of:

- their **own occupation**; and
- all other jobs for which they are suited by reason of training education or experience; and
- they are not doing any other job.

For the purposes of this definition, benefit entitlement will be assessed on a **member's** capacity to perform an occupation or job irrespective of location or availability.

## 2.0 Setting up the policy

### 2.1 What are the requirements to set up a policy?

If you accept the quote, we'll let you know what information we'll need. You'll need to fill in a proposal form and pay the first premium within 14 days of the date we agree to provide cover.

#### You'll also need to:

- Give us a membership list correct at the **policy start date** so we can give you an accurate account. **Please see question 4.1 for more details.**
- Check if any eligible employees need to give us medical evidence. **Please see question 2.2 for more details about medical evidence.**
- Check if all the eligible employees are **actively at work**. **Please see question 2.4 for more details of the definition of actively at work.**

We'll send you the **policy** document when we have confirmed and finalised all the details. The **policy** is the contractual document that tells you the terms and conditions and what we will and will not cover.

To protect you and us from financial crime, we may need to confirm your identity. We may do this by using reference agencies to search sources of information about you (an identity search). This will not affect your credit rating. If this identity search fails, we may ask you for documents to confirm your identity.

### 2.2 What medical evidence is needed before employees can be covered?

#### a) Cover up to the free limit

We'll usually set a **free limit** when we quote. The **free limit** is the amount of cover we can provide without the **members** needing to give us medical evidence. Medical evidence is information about their health and pastimes. Our **free limit** will depend on the number of **members** and the amount of cover.

It will also depend on whether the membership of your **pension scheme** is voluntary. If we don't know this when we produce our quote, we'll assume that at least 75% of eligible employees will have joined your **pension scheme** at the start date of the **policy**. We'll reduce the **free limit** we quoted if this isn't the case.

For **policies** with less than 1,000 **members** we will apply a **pre-existing condition exclusion** for cover up to the **free limit**. **Please see question 2.3 for more details.**

We'll tell you the **free limit** in the quote.

#### b) Cover above the free limit

If you want to include an employee for cover above the **free limit**, they'll need to fill in a **member's** declaration form to give us medical evidence. We call our assessment of this evidence, **medical underwriting**.

To help employees fill in the **member's** declaration, we offer a tele-interviewing service allowing them to fill in the form over the phone. If they prefer to fill in the form themselves, you can find the **member's** declaration form in the literature section on our website [legalandgeneral.com/workplacebenefits](http://legalandgeneral.com/workplacebenefits). Alternatively you can ask us for a copy.

Depending on the information an employee gives us in the **member's** declaration form, we sometimes need to ask for more evidence. This could include a medical examination and blood or other tests. We'll pay for the cost of the medical examination and tests if we ask for more evidence.

We'll assess all the medical evidence to decide if we can offer cover and if any **special terms** are appropriate. If we do apply **special terms**, these will apply straight away.

We'll write to you to explain any **special terms**. If this includes an **extra premium loading** and you decide you don't want to pay this, you can cancel the cover the loading is for, by telling us in writing within 30 days.

Unless we tell you otherwise, the **special terms** will not affect the cover below the **free limit** or any cover we've previously accepted.



### 2.3 Pre-existing condition exclusion

For **policies** with less than 1,000 **members** we will apply a **pre-existing condition exclusion** for cover up to the **free limit**. This means we won't pay benefit in relation to an employee whose **permanent incapacity** results from an injury or illness:

- they were suffering from at the date cover in respect of them started under the **policy**; or
- arising directly or indirectly from any medical condition they were diagnosed with or displaying symptoms of within the two years before the cover under the **policy** started in respect of them.

The decision as to whether the **permanent incapacity** arises directly or indirectly from a medical condition the **member** was diagnosed with or displaying symptoms of within the two years before the cover in respect of them starts will be based on the opinion of a medical adviser chosen by us.

This **pre-existing condition exclusion** will only apply if a **member** becomes permanently incapacitated within 12 months of cover in respect of that **member** starting.

Each time benefit in respect of a **member** is increased we'll apply a new **pre-existing condition exclusion** to that increase. For this purpose, wherever the exclusion refers to the date of joining the **policy** or cover starting, it should be read as the day of the benefit increase.

### 2.4 What are the actively at work requirements?

**Actively at work** means that an employee must be in full active employment, physically and mentally able to perform all the duties associated with their normal job as an employee on the day the cover is due to start.

An employee must be **actively at work** before they can be included for cover under the **policy**. We'll also need a **member** to be **actively at work** before we start covering any increases in cover in respect of them.

#### At the policy start date

We'll need employees to be **actively at work** on the day we start cover.

#### After the policy start date

We'll need all new employees to be **actively at work** on the day cover in respect of them is due to start.

We'll need **members** to be **actively at work** on the day benefit in respect of them is due to increase after the start of the **policy**.

#### Employees who are not actively at work

If an employee is not **actively at work**, we will not provide cover, or any increase in cover in respect of them, until they are next **actively at work**.



## 2.5 What medical evidence is needed for employees who you want to include for cover before or after they are first eligible?

We may be able to provide cover in respect of employees before or after they are first eligible. We've given more details in the table below:

	Early entrants	Late entrants
<b>What does this mean?</b>	An early entrant is an employee you want us to include in the <b>policy</b> for cover who has joined the pension scheme but before they complete the qualifying service or reach the first entry date.	A late entrant is an employee who joins your <b>pension scheme</b> after they are first eligible to join.
<b>When can an employee's cover start?</b>	<p>If you want to include an employee as an early entrant we will need the employee to give us a completed Discretionary Entrants Application for Cover Form. This will enable us to assess if we need further medical evidence.</p> <p>No cover will be in place in respect of the employee until we have completed the <b>medical underwriting</b> process and agreed terms.</p>	<p><b>Joining up to six months late</b></p> <p>If you want to include an employee who joins your <b>pension scheme</b> within six months after the date they were first eligible to join, as long as they are <b>actively at work</b> we'll provide cover in respect of them up to the <b>free limit</b>.</p> <p><b>Joining late at an auto-enrolment event</b></p> <p>An auto-enrolment event is the day you start <b>pension scheme</b> auto-enrolment. It's also the day every three years when you automatically re-enrol the employees to the <b>pension scheme</b> who had previously decided to opt out. If you want to include an employee for cover under the <b>policy</b> as a late entrant at an auto-enrolment event, as long as they are <b>actively at work</b>, we'll provide cover in respect of them up to the <b>free limit</b>.</p> <p><b>Joining late at any other time</b></p> <p>For all other employees you want to include as a late entrant, we will need the employee to give us a completed Discretionary Entrants Application for Cover Form. This will enable us to assess if we need further medical evidence. No cover will be in place in respect of the employee until we have completed the <b>medical underwriting</b> process and agreed terms.</p> <p>You can find the Discretionary Entrants Application for Cover Form in the literature section on our website <a href="http://legalandgeneral.com/workplacebenefits">legalandgeneral.com/workplacebenefits</a>. Alternatively you can ask us for a copy.</p>

Where an employee; doesn't meet all the eligibility conditions, isn't an early entrant; and isn't a late entrant, we still can consider including them for cover under the **policy**. You'll need to tell us about that employee beforehand, so we can consider our terms for cover.



## 3.0 What premiums will be charged for the cover?

The premiums we charge are dependent on many things, including the:

- amount of cover;
- age and gender of the **members**;
- type of work;
- work locations; and
- the number of employees who have previously retired due to ill-health. We call this the claims history.

Please see question 3.4 for more details.

We don't charge a minimum premium.

### 3.1 How will premiums be calculated?

We'll work out the cost for each £100 of the **total scheme earnings**. We call this cost the **unit rate**. We'll multiply the **unit rate** with the **total scheme earnings** at the start of each **policy year** to work out that year's premium.

Subsequent changes in the **unit rate** will be applied at the beginning of the following **policy year**.

### 3.2 Will there be any unexpected extra premiums?

We'll usually guarantee the **unit rate** until the end of the **policy year**. We will then review this, following which, we will usually guarantee the **unit rate** for a further year. However, we may change the **unit rate** if we are asked to change the insured basis.

If a **member** has given us medical evidence, you may need to pay us an extra premium because of their health or dangerous pastimes. Although the extra premium applies immediately, we won't ask you to pay it straight away. Instead we'll wait and add it to your next account. If you tell us in writing within 30 days that you don't want this cover we will not charge the extra premium.

The premiums may also change at the start of the **policy** when we work out accurate premiums.

Please see question 4.0 for more details.

### 3.3 What commission is included in the premium?

We will pay commission to your adviser as a percentage of each premium you pay. The standard is 10%. We can provide for different levels of commission although this will affect the premium we charge. Our quotation will show the commission rate we've allowed for.

### 3.4 Is there a discount for a good claims history?

Yes, we consider the past claims history of our **policy**, and any previous ill health early retirements, when working out the **unit rate**. We'll adjust the premiums for a good or bad claims history. A good claims history is where there are fewer claims, this usually means the premiums will be lower than for a bad claims history.



## 4.0 How does the accounting work?

We'll work out the accounts at the start of the **policy** and then every year at a date we call the **annual renewal date**.

You'll need to pay us premiums in advance, either yearly or monthly. Yearly premiums are approximately 2% lower than the total of 12 monthly premiums.

You can pay yearly premiums by cheque or bankers automated clearing system (BACS). You can only pay monthly premiums by direct debit.

When a **policy** starts we'll work out and ask you to pay estimated premiums based on the membership list you gave us for the quote. If the membership list has changed, we'll ask you for an updated list that's accurate on the day the **policy** starts. We'll use the new list to work out the accurate premium and identify who we're covering. You will then have to pay, or we will refund, any difference between estimated and accurate premiums.

At each **annual renewal date**, we'll ask you to pay an estimated premium, based on the previous year's **member** data, until you give us the up-to-date membership list. We'll then work out the accurate premiums. Until we receive accurate information, we will charge approximate premiums. Once we have worked out the accurate premium, you will have to pay, or we will refund, any difference between the approximate and accurate premiums.

### 4.1 What information is needed for accounting?

At the start of the **policy** and at each **annual renewal date** you'll need to give us a membership list showing each current **member's**:

- name;
- gender;
- date of birth;
- occupation;
- work location;
- date of joining pensionable service;
- accrual rate;
- **scheme earnings**;
- eligibility category (if there's more than one); and
- medical evidence if a **member's** cover goes over the **free limit**, or if our terms ask for it.

It's important we get this information quickly at the start of the **policy** and each **annual renewal date** so we can work out the accurate premium and give you accurate accounts.

It's also important that we know exactly who's covered under the **policy**. If you don't include an employee who you should have included on the membership list at the start of the **policy** or the **annual renewal date**, we won't pay a claim for them.

### 4.2 How are premiums adjusted for member's who join or leave during the year?

The **policy** operates on a 'simplified accounting' basis where we adjust premiums at the end of each **policy year** based on the assumption that all changes in membership took place midway through the year. Any extra premium or refund will be paid at the beginning of the next **policy year**.

### 4.3 If the policy is discontinued mid year, will any premiums paid in advance be lost?

No. We'll work out a final account for the cover we've provided up to the **policy's** cancellation date. We will either send you a refund or you will immediately have to pay us any premiums you owe.



## 5.0 How to make a claim

The circumstances for us to pay a claim:

- the **member** must qualify for and take ill health early retirement under the rules of your **pension scheme**; and
- the **member** must meet the definition of **permanent incapacity** under the **policy**; and
- a **strain cost** must be caused by the **member** retiring early due to ill health.

You or the **pension scheme trustees** must assess if the **member** meets the criteria for being ill health early retired under the rules of your **pension scheme**.

We will assess if the **member** meets the definition of **permanent incapacity** under the **policy**.

In the event of a valid claim the one off lump sum benefit will be paid to the **pension scheme trustees**.

### 5.1 How will the claim be assessed?

#### How incapacitated must the member be?

The **policy** will tell you the definition of **permanent incapacity**.

You will first need to send us a claim notification form. We'll need this within four weeks of the **member** being assessed by you or the **pension scheme trustees** as being eligible for ill health early retirement. We will not pay the claim if we receive the claim notification form more than 90 days after the **member** is identified as being eligible for ill health early retirement.

The claim form gives us information about the **member**. It includes details of their **scheme earnings**, the job they were doing and if they could continue to do any part of that job.

We'll need suitable evidence from you or the **pension scheme trustees** of the:

- ill health retiree event;
- the amount required for payment to the **pension scheme**; and
- the **member's** incapacity. This will help us to assess if the **member** meets the **permanent incapacity** definition in the **policy**.

#### Medical assessment

- We will ask for copies of the medical evidence gathered by you and/or the **pension scheme trustees** during the ill health early retirement process.
- You must ensure we receive any information we request from the **member** about their incapacity, the doctors they are consulting and the treatment they are receiving. They will also need to give us permission to ask their doctors and/or consultants for more information if we need it.
- We will try to ask for as little information as possible, but the **member** may need to have an independent medical examination or assessment.
- We can also consider any medical reports or extra information that you or the **member** want to show us.

It's important we have all the medical details to allow us to assess the claim. If we're not given all the relevant details we may not be able to pay the claim. For example if the **member** refuses to go for an assessment, or if we're not given consent to access these details.

### 5.2 What happens to claims if you or we cancel the policy?

As long as premium payments are up-to date when the **policy** is cancelled, we'll continue to assess claims for benefit in respect of **members** who:

- under the rules of your **pension scheme**, qualified for and took ill health early retirement before cover under the **policy** ended;
- met the definition of **permanent incapacity** under the **policy** before cover ended; and
- a **strain cost** was caused by the **member** retiring early due to ill health.

We will not pay the claim if we receive the claim notification form more than 90 days after the **member** is identified as being eligible for ill health early retirement.

## 7.0 Can cover be provided for an employee who is not based in the UK?



## 8.0 What tax rules apply?

Our understanding of the current tax rules for this type of **policy** is given below. This information is provided for guidance only and is not intended to give definitive advice. We recommend that you seek tax advice for your specific circumstances before you confirm that cover should start:

### Premiums

- There is no 'benefit in kind' charge for the individual **members**;
- A trading company should receive a tax deduction for the payment of the premium provided it is wholly and exclusively for the benefit of its trade.

### Benefit

- The benefit will be paid to the **pension scheme trustees**. In these circumstances there should be no tax liability for the employer.
- We recommend that you seek tax advice for the specific circumstances before payments are made to the **pension scheme**.
- The benefit payment may have an impact on **members** who have transitional protection, if the payment results in benefit accrual. **Members** with enhanced, fixed 2012, fixed 2014 and fixed 2016 protection should seek tax advice before payments are made to the **pension scheme**. The **pension scheme trustees** will need to determine whether the payment of this benefit results in benefit accrual under the rules of the scheme.
- If the benefit is used to make contributions into a defined contribution **pension scheme** causing the pension input amount to exceed the annual allowance, it's our understanding that the annual allowance charge will not apply in the tax year the lump sum payment is made.

- Depending on the **pension scheme** rules the employee who is ill health early retired will usually have the same options to take a tax free lump sum and type of pension as if they were retiring normally.
- Starting an ill health early retirement pension will trigger a test of the **member's** pension savings against the **lifetime allowance** (£1,073,000 for the tax year 2020/21). Pension savings over the **lifetime allowance** will be subject to a **lifetime allowance** charge at the following rates:
  - 55% if the excess is taken as a lump sum
  - 25% if the excess is taken as a pension (in addition to marginal rate of income tax on the pension itself)

The **scheme administrator** and the **member** will jointly be responsible to pay any **lifetime allowance** charge and will need to identify any tax due. The **lifetime allowance** is reduced by 2.5% for each year before age 55 the pension is taken.

- The ill-health pension paid to the individual **member** from the **pension scheme** will be treated as income and subject to income tax in the same way as any other pension payment made to **members**.



# Further information

## Providing insurance

III Health Early Retirement Benefit **policies** are provided by Legal & General Assurance Society Limited. Our principal office for the purpose of the **policy** is at:

 Knox Court, 10 Fitzalan Place, Cardiff CF24 0TL

 **0345 072 0751**

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

## Privacy policy

We're the sole data controller for the information we hold with respect to the **policy**, and solely responsible for its security.

To arrange and manage the **policy**, you'll need to send us personal information about your employees who are, or become, eligible for cover. This may include medical and health information. You need to satisfy yourself of a legal basis that allows you to send us these details, or consider seeking appropriate consent (explicit consent in the case of medical or health information).

Please share our full Privacy Policy with your employees so they understand what we do with the information we collect. Our full Privacy Policy is available at:

 [legalandgeneral.com/privacy-policy](https://legalandgeneral.com/privacy-policy)

## Questions and complaints

If you have any questions or complaints, please speak to your adviser who arranged this **policy** for you.

If you then need to speak to us, you should call us or send the details of your question or complaint to the Managing Director, Group Protection. You can find our contact details at the back of this technical guide.

If we can't settle the complaint you may be able to refer it to the Financial Ombudsman Service. You can find their contact details at the back of this technical guide. Making a complaint won't affect your right to take legal action.

## Compensation

You may be entitled to compensation from the Financial Services Compensation Scheme (FSCS) if we cannot meet our liabilities. You can find out more about the amounts and eligibility from the FSCS. You can find their contact details at the back of this technical guide.

## Law

The **policy** is governed by English law.

Under our **policy**, **members** do not have any rights under the Contracts (Rights of Third Parties Act) 1999. This means they do not have to be involved in decisions about the insurance provided by the **policy**.

References in this guide to the tax treatment of premiums and benefits are based on our current understanding of law and HMRC practice, which may change.

## Language

All communications from us, including our terms and conditions, will only be available in English.

## Insurance Act 2015

In the event that you breach your "duty of fair presentation", we may at our discretion, agree to pay a claim in full if you agree to pay an additional premium. This is conditional on the breach not being "deliberate" or "reckless", and occurring in a situation where we can show that we would have charged a higher or additional premium had full disclosure occurred.

## Industry regulation

We're authorised by the Prudential Regulation Authority (PRA) and regulated by the Financial Conduct Authority (FCA) and PRA. We're entered on the FCA's register under number 117659. You can check this on the Financial Services Register by visiting the FCA's website:

 [fca.org.uk/register](https://fca.org.uk/register)

or telephone them on

 **0800 111 6768**

This technical guide is for commercial customers as defined in the Financial Conduct Authority's Insurance: Conduct of Business sourcebook (ICOBS).

# Glossary

## Our terms explained

<b>Active member</b>	An employee included for benefits within the <b>pension scheme</b> who continues to build up pension benefit in the <b>pension scheme</b> and from their employment.
<b>Actively at work</b>	This means the employee must be in full active employment, physically and mentally able to perform all the duties associated with their normal job as an employee on the day the cover is due to start.
<b>Annual renewal date</b>	The anniversary date of when your <b>policy</b> starts or another yearly date that we've agreed with you.
<b>Benefit termination date</b>	The last date to which we'll cover a <b>member</b> .
<b>Essential duties</b>	Means duties that are normally required for, and/or form a significant and integral part of the performance of the occupation or job and cannot reasonably be omitted or modified.
<b>Extra premium loading</b>	If <b>medical underwriting</b> shows an employee doesn't meet our standard criteria we may increase the premium for them. We call this increase an <b>extra premium loading</b> .
<b>Free limit</b>	The maximum monetary limit for a <b>member</b> which we'll normally cover without the need for medical evidence. We'll tell you the <b>free limit</b> in our quote as a level of benefit or <b>scheme earnings</b> .
<b>Lifetime allowance</b>	The maximum amount of tax advantaged pension benefits a person can build up over their lifetime from all the registered <b>pension schemes</b> they've joined. Any excess will be subject to an additional tax charge.
<b>Medical underwriting</b>	The process we use to assess the health and pastimes of an employee. At the end of the process we may apply <b>special terms</b> .







<b>Member</b>	An employee included for benefits within the <b>pension scheme</b> and insured under the <b>policy</b> .
<b>Normal pension age</b>	The earliest age at which a <b>member</b> can claim their pension benefits under the <b>pension scheme</b> without them being subject to actuarial adjustment or reductions.
<b>Own occupation</b>	Means the <b>member's</b> trade, profession or type of work they do for profit or pay. It is not a specific job with a particular employer.
<b>Pension scheme</b>	The <b>pension scheme</b> set up by the employer to provide pension benefits to employees on retirement.
<b>Pension scheme trustee</b>	A person, firm or group appointed to run the <b>pension scheme</b> according to the scheme rules and act separately from the employer. They must follow the laws that apply to trusts.
<b>Permanently incapable</b>	It is reasonably expected that the incapacity will last at least until the <b>member</b> reaches their <b>normal pension age</b> with no prospect of improvement.
<b>Permanent incapacity</b>	A <b>member</b> is permanently incapacitated if, as a result of illness or injury, they are and will remain <b>permanently incapable</b> of performing the <b>essential duties</b> of: <ul style="list-style-type: none"><li>– their <b>own occupation</b>; and</li><li>– all other jobs for which they are suited by reason of training education or experience; and</li><li>– they are not doing any other job.</li></ul>
<b>Policy</b>	The legal contract between you and us that outlines the basis of the insurance in place.



<b>Policy start date</b>	The date the <b>policy</b> started.
<b>Policy year</b>	The year that starts and ends on the <b>annual renewal date</b>
<b>Pre-existing condition exclusion</b>	We won't pay benefit for an employee whose <b>permanent incapacity</b> results from an injury or illness: <ul style="list-style-type: none"><li>– they were suffering from at the start of their cover; or</li><li>– arising directly or indirectly from any medical condition they were diagnosed with or displaying symptoms of within the two years before their cover starts.</li></ul>
<b>Scheme administrator</b>	A person that takes responsibility for the day to day running of the <b>pension scheme</b> .
<b>Scheme earnings</b>	The salary of the <b>members</b> that is used in calculating the potential <b>strain cost</b> under the <b>pension scheme</b> .
<b>Special terms</b>	Terms for cover that we cannot accept at ordinary rates. This will include <b>extra premium loadings</b> , exclusions, restrictions, postponements or where cover is declined.
<b>Strain cost</b>	This is the extra cost to the <b>pension scheme</b> of the employee retiring early.
<b>State pension age</b>	The earliest age at which a person can claim their State Pension.
<b>Total scheme earnings</b>	The combined sum of <b>scheme earnings</b> for each <b>member</b> .
<b>Unit rate</b>	This is how we work out the cost of a <b>policy</b> . We'll multiply the <b>total scheme earnings</b> by the <b>unit rate</b> to work out the premium.



# Contact details

Group protection principal office Questions and complaints	Financial Ombudsman service	Financial Services Compensation Scheme
 Managing Director, Group Protection Legal & General Assurance Society Limited Knox Court, 10 Fitzalan Place, Cardiff CF24 0TL	If we can't resolve a complaint you may be able to refer it to:  Financial Ombudsman Service Exchange Tower London E14 9SR	 PO Box 300, Mitcheldean, GL17 1DY
 <b>0345 072 0751</b> We may record and monitor calls. Call charges will vary. Lines are open from 9.00am to 5.00pm Monday to Friday.	 <b>0800 023 4567</b> or <b>0300 1239 123</b> (free for mobile phone user paying a monthly charge for calling phone numbers beginning with 01 or 02).	 <b>020 7741 4100</b> or <b>0800 678 1100</b>
 <b>group.protection@landg.com</b>  <b>legalandgeneral.com/workplacebenefits</b>	 <b>complaint.info@financial-ombudsman.org.uk</b>  <b>financial-ombudsman.org.uk</b>	 <b>enquiries@fscs.org.uk</b>  <b>fscs.org.uk</b>

