**INSTRUCTION TO USER** – The following section has been designed for inclusion within a report generated by the PPOL suitability report writing solution. You will need to use the PPOL software to create a report containing a Corporate Introduction section and any other required recommendation sections in the usual way. Once you have downloaded the report created via PPOL to Word, simply insert (copy and paste) the sections below into the report as appropriate and then edit the text to reflect your individual requirements. It is also recommended that you include the accompanying Notes on Financial Products and Risk Warnings within the Appendix of the resultant report.

The text has been colour coded to aid with your understanding. Where the text is highlighted in **blue** this tends to suggest that the text may not be appropriate in all instances, and you may need to delete some or all of it. Where the text is highlighted in **red**, this will require your input.

**Group** **Life Assurance [Existing Contract]**

You currently run a small / medium sized business and you wish to continue insuring against the premature death whilst in service of the following:

**<DELETE OR ADD OPTIONS IF NOT APPROPRIATE>**

* All of your employees
* The Equity Partners
* The Directors
* The members of <INSERT> pension scheme

You are unsure if you wish to maintain cover through your existing arrangement and have asked that this can be reviewed to ensure it remains appropriate to your current financial situation and business circumstances. I understand you have the following existing cover in place.

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Policy Number** | **Company** | **Basis of Cover** | **Expiry Age or**  **Term** | **Protection Type** | **Scheme Type** | **Premium Type** | **Free Cover Limit** | **Premium** | **Underwriting Basis** |
| <INSERT> | <INSERT> | Basic Salary or Fixed Amount | <INSERT> | Lump sum Only / & Dependents Pension | Registered or Excepted | Exact Cost or  Unit Rate | <INSERT> | <INSERT> | <INSERT> |

Your existing scheme offers the following additional features:

|  |  |
| --- | --- |
| **Feature** | **Included** |
| Temporary Absence / Sabbatical Cover | Yes / No / N/A |
| Catastrophe Event Limit | Yes / No / N/A |
| Overseas Cover | Yes / No / N/A |
| Link to an employer pension | Yes / No / N/A |
| Continuation Options (Early, Ill Health Retirement, Redundancy) | Yes / No / N/A |

I have recommended that you **discontinue** the above and affect new cover for the following reasons:

* The overall cost of my new recommendation is lower than your existing arrangement
* You wish to make changes to the existing scheme composition as cover does not reflect your current circumstances and requirements
* Staff turnover is quite high and your current provider does not suit the way your business operates
* You wish to increase the level of cover and this is proving difficult under your current arrangement
* You wish to change the basis of your premiums from an exact cost to a unit rate basis due to an increase in eligible employees, but this is proving difficult under your current arrangement
* You wish to increase the term of your cover and this is proving difficult under your current arrangement
* You require the basis of cover to differ between your employees which is not a feature of your current arrangement
* You have been disappointed with the level of service received during the claims process from your current arrangement
* Your existing arrangement is not a registered scheme
* Benefit limits are too restrictive on your current arrangement
* Your existing arrangement applies excessive restrictions to overseas employees
* This arrangement is not an ‘Excepted’ scheme which is serving to disadvantage some scheme members who already have a high level of registered scheme benefits that are near to or over the Lump Sum Death Benefit Allowance (LSDBA)
* <INSERT ADDITIONAL REASONS HERE>

**Material Differences** - If the recommended alternative arrangement is established on any basis different to that of your existing cover the illustrated premiums will not act as a wholly fair comparison. You should also satisfy yourself that any existing additional benefits to the policy are no longer required before proceeding with my new recommendation. I do stress that you should not cancel your existing protection until we have received underwriting terms on the proposed new plan and it has been placed on risk.

**Group Life Assurance [New - If None in Place]**

You currently run a small / medium sized business and you wish to insure against the premature death whilst in service of the following:

**<DELETE OR ADD OPTIONS IF NOT APPROPRIATE>**

* All your employees
* The Equity Partners
* The Directors
* The members of <INSERT> pension scheme

I have recommended therefore, that you effect a **Group Life Assurance** arrangement for the following reasons:

*For The Employer:*

* Your company has no such cover in place at the current time
* It is a contractual obligation under your employment terms and conditions to offer this to <INSERT CLASS OF EMPLOYEE>
* It provides a valuable employee benefit which helps give members peace of mind that their loved ones could be financially secure when it really matters.
* It will ensure that following the death of an employee, their family or dependents will receive a lump sum sufficient to maintain a comparable standard of living
* It will enhance your organization’s employee benefits package to assist in the retention of your staff
* You can tailor the scheme to the needs of your organization including the level and term of cover provided and if a dependents pension is to be paid in addition
* An arrangement can usually be structured with premium rates that represent a very low percentage of your payroll
* It will offer financial assistance to your employees at a reasonable cost
* It will promote good employer-employee relations
* The company can enjoy tax relief on its contributions
* <INSERT ADDITIONAL REASONS HERE>

*For The Employee:*

* Cover of this type often represents the sole life insurance provision for low to middle income individuals
* It is financial reassurance for the family or dependents and will provide either a guaranteed lump sum and or income if death of the main earner occurs
* They don’t contribute towards the scheme and it is not taxed as a benefit in kind
* Any lump sum benefit is normally payable outside an employee’s estate and free from Inheritance Tax liability.
* Cover can be continued up to a certain period when an employee is absent from work due to sickness or taking a sabbatical
* Support can be provided following death through a bereavement counselling facility as part of the arrangement.
* They are not required to provide medical information to receive cover (up to certain limits).
* <INSERT ADDITIONAL REASONS HERE>

**<DELETE THE FOLLOWING IF NOT APPLICABLE>**

I have recommended your Group Life Assurance arrangement be set up as a ‘Registered’ / ‘Excepted’ scheme to benefit from tax reliefs available / because the group(s) of employees you wish to benefit hold enhanced or fixed pension protection / because the members are close to or over the LSDBA. (For further information on this please refer to the Notes section within the appendix of this report).

I have recommended that a lump sum death benefit and / or dependents pension should be provided up until the age of <INSERT> which represents the policy cease age and that it be linked to your existing company pension.

I have recommended the type of cover and benefit level to suit your budget / as a multiple of salary. We agreed cover will therefore be applied using a multiple of <INSERT> salary.

For further information on the recommended type and level of cover please refer to the Notes on Financial Products section in the Appendix of this report.

***Options Available***

**Rate Guarantee Period** – In order to minimize the scheme administration, I have recommended that the scheme premiums (subject to any changes over and above the conditions of the Rate Guarantee) remain guaranteed for <INSERT YEARS> from the scheme commencement date.

**<INSERT IF NOT INCLUDING>**

I confirm you did not wish to include this feature due to the following reasons:

* The changes within the membership were expected to be numerous
* The additional cost was prohibitive
* You did not feel this feature was necessary
* <INSERT ADDITIONAL REASONS HERE>

**Continuations & Extensions -** To cater for changes in membership due to early retirement, ill health retirement, redundancy and those working beyond the scheme cease age, I have recommended that you include a continuation of cover that the member was receiving immediately prior to all the specific events detailed above. For details, please refer to the personal illustration and key Features Document.

**<INSERT IF NOT INCLUDING>**

I confirm you did not wish to include this feature due to the following reasons:

* The additional cost was prohibitive
* You did not feel this feature was necessary
* <INSERT ADDITIONAL REASONS HERE>

**Summary of Recommendations**

Having researched the marketplace, I have recommended the following Group Life Assurance scheme highlighted below:

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Provider** | **No of Employees** | **Salary Basis** | **Term of Cover** | **Scheme Type** | **Monthly Cost** | **Premium Basis** | **Auto Acceptance Limit** | **In Trust** |
|  |  |  |  |  |  |  |  |  |

* They offer a competitive premium for the policy required
* The research tool I have used to review the marketplace showed them to be offering the most suitable and competitive product to meet your needs and objectives
* They offer an additional insured lump sum for the provision of dependents pension benefits
* They are well established and financially strong
* They have quoted a competitive free cover limit of <£INSERT> as per your stated objective
* They have provided us and our clients with an excellent service in the past
* They are known for having an expedient and compassionate claims history
* They can underwrite on the preferred ‘**’forward / one’’** underwriting basis
* They offer temporary cover of <INSERT> days during the underwriting process
* They can insure on your preferred salary definition basis
* They can offer different levels of benefit to different classes of employee
* They can provide cover to employees working outside of the UK
* This is the maximum cover available for your budget
* I have calculated the level of cover you required based on your financial circumstances and we agreed the premium is affordable
* <INSERT ADDITIONAL REASONS HERE>

**<DELETE THE FOLLOWING WHICH ARE NOT APPLICABLE TO YOUR RECOMMENDATION>**

An employee will be included for membership in the recommended group life assurance arrangement when the ‘eligibility’ and ‘actively at work’ requirements agreed between you and <INSERT RECOMMENDED PROVIDER> are satisfied (see below). These conditions will also apply to increases in cover for existing employees.

**Eligibility**

* the minimum entry age is <INSERT if known> and maximum entry age is <INSERT if known>
* the minimum period of service is <INSERT if known>
* the categories of employee you wish to be covered is all <INSERT if different>
* the calculation of the benefit applicable is <INSERT> multiple of salary and will **remain the same / differ** for **all / some** entitled employees
* the date that new entrants will be included in the policy and existing employees will be eligible for increases in insured benefits (e.g. **the annual policy renewal date**, or the **first day of the month** or **immediately all other eligibility conditions are satisfied**)
* cover is provided if they are an active member of the <INSERT PENSION SCHEME NAME>

**Actively at Work** – This means that a person is present at their place of work; and has not received medical advice to refrain from work; and is mentally and physically capable of performing fully the normal regular duties associated with the job they are engaged to do; and is working their normal contracted number of hours, either at their normal place of business or at a place that the business requires.

**Free Cover Limit -** Since a group plan is designed to cover everybody who satisfies the eligibility conditions, underwriters are normally only concerned about employees with unusually large benefit entitlements. <INSERT PROVIDER> usually sets a free cover limit of <£INSERT AMOUNT>, which may be revised from time to time, for example at the scheme’s annual revision date. Only benefits in excess of the free cover limit quoted will normally require medical underwriting. The free cover limit is usually based on the number of employees included in the scheme. It will also depend on the benefits provided and eligibility conditions for the scheme.

**Premiums -** The premium calculated depends on the nature and amount of the benefits to be provided and details of the employees to be insured.

**In Trust** – The principal employer will set up this scheme using a discretionary trust. Death benefits will be paid to the trustees who will have absolute discretion to whom the lump sum benefits are paid which can include dependents, relatives, or charities. They will take into account the deceased members wishes under any ‘Expression of Wish’ form.

**<DELETE OR AMEND THE FOLLOWING IF NOT APPLICABLE>**

***Schemes with Between 5 and 19 Employees:***

* **Single Premium** - The cost of the scheme each year will be the premium required to provide cover for the employees of the scheme for that year only. The premium for an individual employee will usually increase each year as the employees become older; however, if employees who retire, die, or leave service are replaced by younger employees for whom lower rates of premium may apply, the cost may not increase. If the number of employees included in the Policy increases to <INSERT> or more at any time, the cost will be calculated on the unit rate basis.

***Schemes with 20 Employees or More:***

* **Unit Rate** -The policy accounting is based on a Unit Rate method using simplified administration. This means that an annual rate of premium applicable to all employees (referred to as the unit rate or flat rate) is calculated at the beginning of the guarantee period. At the beginning of each year a provisional premium will be calculated based on the total salary roll at the commencement date multiplied by the unit rate (which could be a nominal rate or could be expressed as a percentage of salary or as a percentage of benefit). If the number of employees included in the Policy falls below <INSERT> at any time, the cost will be calculated on the single premium basis. For full details of this please refer to the Key Features document.

**Salary Definition**

The above recommendation and premiums are based on your agreement that definition of the insured’s salary is as follows:

* Basic salary only
* Basic salary plus other earnings from the employer (for example overtime, bonus, commission or directors’ fees) averaged over a given three-year period
* Total earned income from the employer during a given 12-month period
* Total P60 earnings in the preceding tax year.
* Annual average amount of earnings drawn from the partnership (partnership drawings) in the last three partnership accounting years.

In the event that any member’s salary changes, or they cease to be actively employed in the future you should contact the insurance company as this may affect the terms of the policy.

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**INSTRUCTION TO USER** – The following section concerning charges of the recommended plan or provider will need to be merged with the Important Information (Cost of Services) section produced by the PPOL Suitability Report Builder. Where the text is highlighted in blue this tends to suggest that the text may not be appropriate in all instances. Please delete the charges which are not applicable to the recommended plan or provider. Where the text is highlighted in red, this will require your input.

**Further Information and Risk Warnings**

A summary of the risk warnings associated with my advice can be found in the Appendix of this report and should be read with particular care. Additional information regarding the recommendations can be found in the Key Features Document(s) provided.

**Cost of Services**

A summary of how my company can be remunerated for the advice received and the provision of my services is detailed in the disclosure documentation provided.

**Important Information**

Proposed Group Life Charges <INSERT PROVIDER>

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Entry** | | | **Ongoing** | | | **Event** | **Exit** |
|  |  |  |  |  |  |  |  |

**Entry Charges**: One off charges taken before or on investment.

• Advisor Charge: A fee paid to the advisor for advice and services received.

• AC Paid By Provider: The Advisor Charge will be paid by the product provider.

* AC Paid By Client: The Advisor Charge will be paid by directly by you.
* AC Paid By Fund: The Advisor Charge will be paid from the fund.
* Consultancy Charge: Charge agreed with employer for advice or services provided on a group pension scheme
* AC Paid By Cash Account: The Advisor Charge will be paid from the cash account within your investment.

• Commission: A payment made to the advisor directly by the recommended product provider.

• Provider Charge: A charge taken from the premium prior to investment.

• Fund Charge: The difference between the buying and selling prices of units or shares in a dual priced fund - often termed a Bid/Offer spread.

• Regular Premium Charge: A charge taken from each new premium for the term.

• Wrap Fee: Charge taken by the Wrap service provider for administering a specific tax wrapper

• Platform Fee: Charge taken by the Platform service provider for administering a specific tax wrapper.

**Ongoing Charges**: Regular charges, typically taken over a year.

• Advisor Charge: A fee paid to the advisor for ongoing advice and services received.

• AC Paid By Provider: The Advisor Charge will be paid by the product provider.

• AC Paid By Client: The Advisor Charge will be paid by directly by you.

* AC Paid By Fund: The Advisor Charge will be paid from the fund.
* AC Paid By Cash Account: The Advisor Charge will be paid from the cash account within your investment.

• Investment Management Fee: Or Annual Management Charge (AMC). A fee levied by the investment firm paid out of the fund for the costs of investment management and fund administration.

• Plan Fee: A set charge typically applied on the plan anniversary to cover provider administration.

• Wrap Fee: Charge taken by the Wrap service provider for administering a specific tax wrapper

• Platform Fee: Charge taken by the Platform service provider for administering a specific tax wrapper.

• Trust Fee: Charges taken from the trust property for on-going trustee duties and expenditure

* Other Fees: Attributable on-going charges to the plan or investment strategy not already mentioned

**Event Based Charges**: Ad hoc charges related to specific events.

• Advisor Charge: A fee paid to the advisor for specific advice or services.

• AC Paid By Provider: The Advisor Charge will be paid by the product provider.

* AC Paid By Client: The Advisor Charge will be paid by directly by you
* AC Paid By Cash Account: The Advisor Charge will be paid from the cash account within your investment.
* AC Paid By Fund: The Advisor Charge will be paid from the fund.

• Income Review Fee: A charge levied by the plan provider to review the maximum GAD income drawdown level ahead of the statutory triennial review or transfer in.

• Fund Switch Fee: A charge to sell one fund to buy another.

• Income Withdrawal Charge: A charge levied by the plan provider to commence or maintain income payments from capital.

* Other Fees: Attributable specific charges to the plan or investment strategy not already mentioned.

**Exit Charges**: One off fees taken on termination.

• Exit Charge: Applicable under the plan or investment rules following early sale, surrender, encashment or transfer.

• Market Value Adjustment (MVA) Charge: A penalty which may be applied to a with-profit fund on early surrender.

**<INSERT THE FOLLOWING CANCELLATION TEXT TO REPLACE ANY DEFAULT TEXT>**

**Cancellation -** The recommended provider cannot normally cancel the policy unless the number of employees insured under the policy is fewer than <INSERT>, premiums are overdue, or you fail to provide all the information they ask for when applying for the policy, administering the policy or when claiming for benefit in respect of a member. You can cancel the policy at any time, provided you do so in writing.

**Risk Warnings – Group Life Assurance**

**General**

* For a full explanation of the features of this plan, please refer to the personalised illustration and Key Features documentation supplied by the product provider.
* The figures on any quotations provided are for illustration purposes only and are not guaranteed.
* The recommendations are based on current taxation, law and practice and the current legal and administrational framework and are based on my current interpretation and understanding of those, all of which may be subject to change.

**Protection**

* If policy premiums are stopped the cover will cease.
* If the policy pays out a death benefit, cover will cease.
* The actual premium payable may vary after assessment by the provider.
* Please be aware certain causes of claim are excluded.
* The provider may not pay out if any information is withheld, or if the information provided is incorrect.
* Where premium protection has not been included and an illness prevents the policy holder from working and premiums cannot be maintained the protection will cease.
* If indexation is not included, then the real value of the sum assured / policy benefits will be eroded by inflation over time.
* The protection levels should be periodically reviewed to ensure they continue to meet objectives.
* During any point through life, events (illness) may mean an individual becomes uninsurable. This would prevent a policy from possibly being altered or changed or preventing new policies being set up.

**Group Life Assurance**

* Employers should take legal advice on the need to outline the benefits provided by the policy in employees’ contracts of employment and that the benefits, as promised, are not discriminatory.
* Cover stops if you stop paying premiums, however any dependents’ pensions will continue to be paid if commenced before the cover ended.
* Any delay in paying premiums or giving information or data needed may result in unexpected premium arrears or someone not being fully covered.
* Premium rates are only guaranteed to the stated review date which will is typically annually or bi-annually.
* The premium rate may go up or down at that date depending on changes in the membership.
* For unit rated policies changes may be made to the guaranteed rate at the annual renewal date if there is a change of more than 25% in the membership or the total benefit covered by the policy.
* Premiums will be reviewed if a change is made to the agreed scheme eligibility or benefit structure.
* Claims must be completed and submitted within two years of the member’s death.
* For small schemes cover may be conditional on all employee membership being actively at work before cover commences.
* Some schemes will have event restrictions or limits on benefit such as for a catastrophe.
* The policy may be cancelled if registration is withdrawn.
* A claim may not be paid if the employee is not eligible for cover.
* If an employer of a registered scheme doesn’t register the scheme, they will not be able to get tax relief on premiums and income tax will need to be paid on the benefits unless the scheme meets the criteria of an excepted group life policy (see following notes section).
* Cover will usually cease for employees when they leave employment
* Where basic salary applies to cover, any salary sacrifice arrangements will reduce a member’s basic salary and reduce the level of cover for the member.
* The group life assurance has no cash in value at any time.
* Exit charges and Periodic charges may apply to ‘excepted’ group life benefits paid through a discretionary trust.

**Notes on Financial Products**

**Group Life Assurance**

A group life assurance scheme enables employers to provide a tax free lump sum benefit to an employee’s family and children, if they should die in service. For employers looking to enhance the benefits they provide to attract and retain staff, group life offers an inexpensive benefit which is highly valued by employees. Cover is typically cheaper than can be obtained by individual employees taking out life cover for themselves, and the employer’s cost is further reduced by virtue of premiums being deductible against Corporation Tax.

Benefits are normally set relative to each employee’s salary. A typical scheme may provide a benefit payable of four times the member’s salary, plus a pension for any surviving dependant of 50% of the member’s salary. The actual relationship to salary can vary according to how generous the employer wishes to be, and what budget is available. It is also possible to arrange cover so that benefits are fixed at set amounts, rather than being linked directly to salary.

Schemes are generally easy to set up and administer and eligibility conditions determining which employees get what benefits, can be set flexibly to allow different categories to receive different levels of benefit. Most schemes will be given a free cover level and, as long as employees fulfil the eligibility conditions, they are covered up to this level without needing to answer any medical questions or complete any forms. The value of the free cover level will vary with each scheme and the actual figure applicable will be clearly shown in any quotations provided.

Group life schemes are written under trust, with the employer / company usually acting as trustee and administrator. Once the scheme is up and running there is just an annual accounting process to assess how much cover has been provided and what balance of premium needs to be collected or returned.

Group life assurance policies not surprisingly cover multiple people and are usually purchased by companies for their staff. They can be cheaper to the company because a large group of people is more likely to conform to averages of life and death. Group life assurance isn’t like ordinary life assurance, as it is usually purchased by a company for its employees and offered as part of a benefits package. It does have positive tax implications for staff, and is an allowable business expense, as HMRC view it in the same way as an occupational pension scheme.  
  
In general a group life assurance policy is a valuable component in a total benefits package which may also include critical illness cover or income protection. Employers should be mindful of the difference between group life assurance (which is a benefit to the employee) and key man insurance policies, which are protective schemes (for the benefit of the company) in the event of the loss of important staff.

**Types of Cover**

* *Lump sum benefits*

Lump sum benefits can be either a fixed amount or a multiple of salary. The benefits can vary between different categories of membership but must be the same basis for all members within a specified category.

* *Additional lump sum to purchase a Dependant’s Pension*

An additional lump sum can be insured and used by the trustee(s) to purchase a pension in the insurance market in the event of the death of a member. The additional lump sum must be on the same basis as the main benefit (a fixed amount or multiple of salary).

The ways in which group life cover can be structured are set out within rules laid down by Her Majesty’s Revenue and Customs (HMRC). The rules allow two basic types of scheme ‘Registered’ or ‘Excepted’

*Registered schemes*

These make up the majority. Such schemes must be registered online with HMRC before cover commences. A scheme administrator has first to be appointed followed by the scheme registration process which is relatively straightforward. A PSTR (Pension Scheme Tax Reference) number will be generated, which the product provider will need to know before cover can commence. The benefits themselves can be either a Lump Sum, or a dependants’ death in service pension. Any payments that exceed the Lump Sum & Death Benefit Allowance (LSDBA), which replaced the former Lifetime Allowance (LTA) legislation from 6 April 2024, would be taxable at the recipients marginal rate.

*Excepted schemes*

These are group life policies as defined in section 480(3) of the Income Tax (Trading and Other Income) Act 2005. These currently fall outside the registered pension scheme tax rules and allow payments to be made in excess of the LSDBA. They are normally lump sum on death only schemes which share the same lump sum calculation method. These lump sums do not count towards the LSDBA which is 1.073m which is a consideration for Registered schemes. Excepted schemes can run alongside a registered scheme (sharing the same unit rate and free cover limit) or they can be standalone. Excepted Group Life schemes tend to be used in the following circumstances:

* Where lump sum benefits greater than the LSDBA are required. So, members of registered schemes can also have top-up benefits from excepted schemes
* Where an individual has opted to take ‘enhanced protection’ of their pension and group life benefits accrued before 6th April 2006. Such people generally should not join Registered Schemes as their favourable tax status may be lost
* For groups of equity partners, who are in fact allowed to join registered schemes, but may find the way premium tax relief is granted under excepted schemes more attractive

Excepted schemes will be set up under a discretionary trust and the employers responsibility ends once the deceased members insured lump sum benefits is paid to the trustees who will retain full discretion over where the benefits are paid.

**Cost**

The level of premiums charged will depend on the nature of the membership of the scheme together with the benefits covered. The information typically used to calculate premiums will include:

* Level of scheme benefits required
* Eligibility and entry conditions
* Previous claims experience of the scheme
* Membership details regarding age and gender
* Occupation and location of the company
* Other ancillary underwriting factors
* Frequency of premium payment

For schemes with typically less than 20 members, premiums are calculated individually for each member based on age and gender rates. This is known as an *‘Exact Cost’* or *‘Single Premium’* basis and the quoted premium will provide cover for the members for the applicable year and be recalculated at the next policy anniversary date based on the details of the members at that time. The premiums should be guaranteed by the provider for 12 months unless significant changes happen to membership.

For Schemes with 20 or more Members a ‘Unit Rate’ will usually apply to all members. This is usually expressed as a cost per £1,000 of the total sum assured for the Members and will also usually be guaranteed by the provider for 12 months.

**Underwriting**

Group cover is intended to be provided on a nondiscretionary basis where the ‘eligibility’ and the ‘actively at work’ conditions apply. To reduce the need to medically underwrite all the members of a policy an *automatic acceptance limit* is set below which, evidence of health will not be required. This will differ between insurance companies and will be specified a personal illustration.

For benefit amounts above the automatic acceptance limit or for members not eligible for the limit, evidence of health will be required which can be assessed as follows:

*Forward underwriting* - Usually for schemes with up to 50 members. Once medically underwritten, a member won’t normally need to provide more evidence for normal increases in benefit in any of the following situations:

* Five years has elapsed since they were last medically underwritten
* The member’sbenefit entitlement increases by more than 15% above the benefit 12 months earlier in those five years
* The member’s benefit entitlement increases significantly (typically by more than £300,000) above that since they were last medically underwritten

*One underwriting -* Usually for schemes with more than 50 members. In most cases underwriting takes place once and no further medical evidence is needed even for agreed increases in cover, provided the original underwriting was agreed as follows:

* At ordinary rates
* With a premium loading that is being paid for
* Received an accepted exclusion.
* The member remains actively at work

**Taxation**

**Premiums** - Normally policies are financed by an employer with no contribution from employees. In this situation the premiums paid by the employer are normally allowed as a trading expense and can be offset against company corporation tax. Employer’s premiums are not normally treated as a benefit in kind for the employees or partners. Premiums for partnership partners or members who are taxed on a self-employed basis will not normally be allowed as a business expense.

**Benefits** - Lump Sum benefits paid from a registered group life scheme will be tax free if the deceased member had sufficient headroom under the LSDBA. Dependant’s death in service pensions do not count towards the LSDBA. A tax charge at the recipient’s marginal rate which could be up to 45% will be due on any lump sum benefit above the LSDBA. This charge will not apply if you use this amount to buy a dependants’ pension. Income tax is due from dependants’ pensions and should be deducted before the pension is paid. Lump-sum benefits if paid under a discretionary trust will not normally be liable for inheritance tax.

Lump sum benefits paid from an excepted group life scheme discretionary trust are paid free of income tax but because of the discretionary nature of the trust are subject to normal inheritance tax charging rules with the potential for exit and periodic charges of up to 6% of the value of the fund. Benefits do not count towards a members LSDBA and will therefore not be subject to taxation if this is exceeded.