**INSTRUCTION TO USER** – The following section(s) have 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 copy and paste the section(s) 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** **Income Protection Recommendation [Existing Contract]**

You currently run a small / medium sized business, and you wish to continue insuring against the costs attributed to the long term illness 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** | **Salary Type & Basis of Cover** | **Expiry Age Cover Term** | **Protection Type** | **Maximum % of income** | **Premium Type** | **Deferred Period** | **Monthly Premium** |
| <INSERT> | <INSERT> | Basic  Gross / Net | <INSERT> | Own / Suited Occupation | <INSERT> | Reviewable Guaranteed | <INSERT> | <INSERT> |

Your existing contract offers the following additional features:

|  |  |
| --- | --- |
| **Feature** | **Included** |
| Indexation | Yes / No / N/A |
| A Surrender value | Yes / No / N/A |
| Lump sum Capital Option | Yes / No / N/A |
| National Insurance cover | Yes / No / N/A |
| Pension Payment Cover | Yes / No / N/A |
| State Benefit deduction | 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
* Your existing cover does not reflect your current circumstances and requirements
* The premiums under your existing contract are reviewable. You preferred a contract with guaranteed premiums thereby ensuring the premiums do not increase in the future and providing greater certainty of affairs
* You wish to add additional benefits, and this is not possible under your current arrangement
* You wish to increase the level of cover, and this is not possible under your current arrangement
* You wish to increase the term of your cover, and this is not possible under your current arrangement
* You require the basis of cover to differ between your employees
* I believe the terms of cover and claim definitions are superior under the policy I am recommending
* <INSERT ADDITIONAL REASONS HERE>

**Material Differences** - If the recommended alternative plan 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 Income Protection Recommendation [New - If None in Place]**

You currently run a small / medium sized business and you wish to insure against the costs attributed to the long-term illness 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

I have recommended therefore, that you take out a **Group Income Protection** policy for the following reasons:

*For The Employer:*

* It will provide a continued income for sick and incapacitated employees who are unable to work
* It will provide a reduced payment if the member’s illness or injury allows them to work in a reduced capacity or for a reduced number of hours
* Your company has no such cover in place at the current time
* It will ensure that your employees can maintain a comparable standard of living if they are unable to work as a result of an accident or ill health
* It will enhance your organization’s employee benefits package to assist in the retention of your staff
* It will be used to protect National Insurance and Pension contributions
* You can tailor the scheme to the needs of your organization including the level and length of cover provided and the plan's deferred period
* It will offer financial assistance at a reasonable cost
* It will promote good employer-employee relations
* The company can enjoy tax relief on contributions
* The cover is permanent, which means if premiums are maintained, no matter how many times you claim the cover will never be cancelled by the insurance company
* <INSERT ADDITIONAL REASONS HERE>

*For The Employee:*

* Financial reassurance and a guaranteed income if illness or injury prevents them from working
* They don’t contribute towards the scheme, and it is not taxed as a benefit in kind
* Support can be provided throughout their rehabilitation process with the focus on a positive outcome and their return to work
* Additional cover for pension contributions
* Continued disability cover without further medical evidence
* <INSERT ADDITIONAL REASONS HERE>

Benefit payments will typically commence at the end of a waiting period known as the ‘deferred period’ and are then payable monthly in arrears during continuous incapacity. The ‘deferred period’ is the period following the employee first being unable to work due to illness or injury for which the proposed provider does not pay any benefit. I have recommended following our discussions that benefits should become payable after a period of **<INSERT>** weeks.

I have recommended that cover and benefit payments should be provided up until the age of **<INSERT>** which represents the policy cease age.

I have recommended that the policy be established with **guaranteed** premiums. This will ensure they do not change during the duration of the cover.

I have recommended that the policy be established with **reviewable** premiums. Your premiums will therefore be periodically reviewed and adjusted in line with the prevailing rates of the insurer at that time which means whilst cheaper at outset they are likely to increase in the longer term

I have recommended that the contract be established with an incapacity definition of S**tandard (Own Occupation) / Suited Occupation / Combined** basis. This defines the terms on which income benefits will be paid. For further information on the recommended incapacity definition, please refer to the Notes on Financial Products section in the Appendix of this report.

I have recommended the type of cover and benefit level to suit your budget. The level of benefit is normally specified as a percentage of gross or net pre-incapacity earnings. Cover will therefore be applied for on the following basis:

**<DELETE OPTIONS WHICH ARE NOT APPLICABLE>**

*No Deduction for State Benefits* - This is where the basic income benefit is specified as a proportion (up to a maximum <INSERT %> of an employee’s **gross** or **net** pre-incapacity earnings. For equity partners or employees of limited liability partnerships different taxation rules apply and the maximum basic income benefit available is (up to a maximum <INSERT %> of the individual’s annual drawings from the partnership averaged over two or more years.

*Fixed Deduction for State Benefits -* This is where the basic income benefit is specified as a proportion (up to a maximum <INSERT %> of an employee’s **gross** or **net** pre-incapacity earnings less a deduction in respect of State benefits. The State benefits deduction (which covers Employment and Support Allowance or Incapacity Benefit) will normally be fixed at the commencement of incapacity and will apply irrespective of whether the State benefits are received by the employee or not.

*Fully Integrated Benefits -* This is where the basic income benefit is specified as a percentage (up to a maximum of <INSERT %> of an employee’s **gross** pre-incapacity earnings less a deduction in respect of the total of any State Benefits relating to incapacity received by the employee.

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***

**Indexation** - I have recommended that the annual benefit increase each year by **<INSERT %>,** as this will ensure it maintains its capital worth against the effects of inflation. Please be aware that where the indexation option has been included, premiums will increase each year in line with any increases in the benefits payable.

**<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>

**National Insurance Payments –** I have recommended that an amount equal to the annual amount of the employer’s National Insurance (NI) contributions which would be payable for the member if the total annual rate of the member’s earnings from the employer was equal to that part of the basic income benefit for which they have been included in the Policy. (Refer to quotation provided).

**<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
* The class of employees being covered have salaries below the Lower Earnings Level for NI.
* <INSERT ADDITIONAL REASONS HERE>

**Pension Scheme Payments –** I have recommended that the employee contributions that have agreed to be paid to the employer in respect of a member’s membership of the employer’s pension arrangements be included in the policy.

**<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
* There is presently no employer sponsored pension scheme in force.
* <INSERT ADDITIONAL REASONS HERE>

**Limited Payment Period**

I have recommended that a limited period consisting of **two / three / five** years during which income benefit is paid, which starts the day after the end of the deferred period is included within the plan. This will reduce costs significantly compared with a traditional longer-term plan

**<INSERT IF NOT INCLUDING>**

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

* You did not feel this feature was necessary
* You preferred that the cease age matched the expiry date of the plan.
* <INSERT ADDITIONAL REASONS HERE>

**Lump Sum Option** (*not for partnership*)

I have recommended that a lump sum benefit payable to the employer in respect of a member’s continued incapacity after the end of a limited period (either **two, three or five years**) assuming the member satisfies the definition of incapacity. The employer then has discretion on how the lump sum is used.

**<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
* You preferred that the cease age matched the expiry date of the plan and was not limited.
* <INSERT ADDITIONAL REASONS HERE>

**Summary of Recommendations**

Having researched the marketplace, I have recommended the following **Group Income Protection** plan for the reasons highlighted below:

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Provider** | **No of Employees** | **Salary Basis** | **Term of Cover** | **Term of Payment** | **Monthly Cost** | **Deferred Period** | **Policy Additions** |
|  |  |  |  |  |  |  |  |

*The maximum benefit most insurers are willing to provide will be in the region of 50-80% of the employee’s salary less any benefit entitlements up to a typical maximum of £350,000.*

* 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 are well established and financially strong
* They have quoted the maximum insurable income 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 a good claims history and paying claims quickly
* They are able to insure on the requested ‘**’own occupation’’** / **‘’suited occupation basis’’**
* They offer temporary cover during the underwriting process
* They can insure on your preferred salary definition basis
* They are able to insure additional benefits of **NI contributions** and /or **Pension contributions** as requested
* They can offer different levels of benefit to different members
* They can offer a lump sum option based on a **multiple of salary** / **multiple of benefit**
* They can provide cover to employees working outside of the UK
* They offer a choice of state benefits that are applicable for deduction
* They offer free cover limit which is competitive in the marketplace
* The policy has relatively few exclusion clauses
* 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>**

**Eligibility** -An employee will be included for membership in the recommended policy 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. They are:

* The minimum entry age <INSERT if known> and maximum entry age <INSERT if known>
* The number of years of service <INSERT if known>
* Categories of employee you wish to be covered and to what benefits you want each category to be entitled
* 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 revision date**, or the **first day of the month or immediately all other eligibility conditions are satisfied**)
* If cover is dependent on membership of your pension scheme, then the current eligibility requirements of the pension scheme must also be provided.

**Actively at Work** – This means that an employee has not received medical advice to refrain from work and is not only present at their place of work on the prescribed day, but is mentally and physically capable of discharging fully the normal regular duties associated with the job for which they are employed, working their normal contracted number of hours, either at their normal place of business or at a location to which the business requires them to travel.

**Claim Payment Conditions -**Under normal circumstances, the benefit will be paid in respect of an employee until the earliest of one of the following events:

**< DELETE THOSE NOT APPLICABLE TO THE YOUR RECOMMENDED POLICY>**

* The employee no longer satisfies the definition of incapacity
* The employee is no longer suffering loss of earnings
* The employee leaves service
* The employee reaches the plan cease date
* The employee retires (either early or otherwise)
* The employee dies
* The employee reaches the agreed ‘expected normal retirement age’
* The expiry of the employee’s contract of employment
* The date on which the maximum payment period ends for limited period benefits in respect of incapacity resulting from a particular cause
* The employee undertakes any form of employment without agreement
* The business is liquidated or sold

**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 will be revised from time to time, for example at the scheme’s annual revision date. Only benefits more than 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.

**<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 employee becomes 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 is 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.

**Further Information and Risk Warnings**

Although you deemed the recommended deferment period acceptable, I strongly recommend that you maintain liquid funds to cover for any unforeseen eventualities because of key personnel suffering from long term illness.

If any members occupation or salary changes in the future, you should contact the insurance company as this may affect the terms of the policy.

Further information regarding the recommended product can be found in the Key Features Document provided and the Appendix of this report. A summary of the risk warnings associated with my recommendations can also be found in the Appendix of this report.

**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.

**Important Information**

**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.

Group PHI Plan 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.

• Discretionary Fund Management Charge: An additional charge for day-to-day investment management decisions of client assets held in a nominee name by a professional investment firm.

• 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.

• Total Expense Ratio (TER): Annual cost of a fund which includes the AMC and other services paid for by the fund i.e. trustee, depositary and custodian fees.

• Trading / Broker Fee: Necessary costs when investing in shares or active funds if the manager or broker buys and sells.

• 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.

**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 Income Protection**

**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 Income Protection**

* As an employer, you 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.
* The payment of benefit under this contract may affect the employee’s eligibility to claim for some means-tested benefits provided by the State.
* Failure to notify the provider within weeks of incapacity may result in an extension to the deferred period and in turn delay payment on any claim you may make.
* The income benefit payable is based on the employee’s loss of earnings at the time of a claim. If their earnings fluctuate significantly or reduce, the benefit payable may be less than the level you have chosen. In such an instance the insurance company will not refund any overpaid contributions.
* Where basic salary applies to cover, any salary sacrifice arrangements will reduce a member’s basic salary.
* There will be no entitlement to benefit under this plan if immediately prior to a period of disability the employee is not engaged in a full-time remunerative occupation. In such an event there will be no refund of premiums paid.
* Any delay in providing the information required may result in members not being fully covered.
* Certain types of claims may be excluded (see the section ‘What is not covered’ within the Key Facts document.
* Benefits paid under the policy may be reduced if the claimant is receiving other regular income because of illness or injury, such as income from an individual income protection policy
* If the number of members drops below a threshold of typically 5 members, the provider will reserve a right to cancel the policy at any subsequent policy accounting date.
* The premiums may be reviewed and varied, even within a rate guarantee period

**Notes on Financial Products**

**Group Income Protection**

A Group Income Protection plan often referred to as a Group Permanent Health Insurance contract provides income benefits that reimburse the employer for all, or part of the regular income promised in a contract of employment in the event of one or more employees being unable to work and suffering loss of earnings through long-term illness or injury.

They are flexible because the employer can decide when they take out the policy how soon this benefit is to be paid and for how long. This will consider how long an employer expects to continue to pay income to employees who become ill or injured in addition to the mandatory period for Statutory Sick Pay. They can provide optional cover for associated expenses such as employers National Insurance and Pension contributions and a Capital Option can also be selected to allow a lump sum payment to be made to the employer on the expiry of the income payment period if the employee is unfit to return to work.

**Types of Cover**

Employers can select the type of cover and benefit level to suit their budget as they will meet the whole cost of the cover. As well as a *‘basic income benefit’* employers can in respect of their employees, also cover additional *‘supplementary benefits’* such as Pension Scheme contributions and National Insurance contributions. For equity partners or employees of limited liability partnerships different taxation rules apply and the maximum basic income benefit available is (up to a maximum %) of the individual’s annual drawings from the partnership averaged over two or more years. Options are listed below:

***No deduction for State benefits*** - This is where the basic income benefit is specified as a proportion (up to a maximum %) of an employee’s **gross** or **net** pre-incapacity earnings. *Fixed deduction for State benefits -* This is where the basic income benefit is specified as a proportion (up to a maximum %) of an employee’s **gross** or **net** pre-incapacity earnings less a deduction in respect of State benefits. The State benefits deduction (which covers Employment and Support Allowance or Incapacity Benefit) will normally be fixed at the commencement of incapacity and will apply irrespective of whether the State benefits are received by the employee or not.

***Fully integrated benefits*** *- This* is where the basic income benefit is specified as a percentage (up to a maximum of %) of an employee’s **gross** pre-incapacity earnings less a deduction in respect of the total of any State Benefits relating to incapacity actually received by the employee.

The level of benefit is normally specified as a percentage of gross or net pre-incapacity earnings, as outlined below

* **Gross Pay Policy** - Benefits are specified as a percentage of gross pre-incapacity earnings. The maximum Terminal Age is typically 70 and the normal maximum benefit you can insure for each employee is 80 per cent of pre-incapacity earnings, (including any insured employee pension fund contributions). This type of cover is generally available for 5 or more employees.
* **Net Pay Policy** - Benefits are specified as a percentage of net pre-incapacity earnings. The maximum Terminal Age is typically 65 and the normal maximum benefit you can insure is 90 per cent of net pre-incapacity earnings after considering any State Benefits relating to incapacity actually received. This type of cover is generally available for 20 or more employees.

**Incapacity Definitions**

The following definitions of incapacity are typically used:

*‘Own Occupation’* - This is deemed the ‘standard definition’ where an employee, who is away from work as a result of illness or injury, is incapacitated if, at the end of the deferred period, such illness or injury prevents the employee from, and therefore renders them incapable of, performing the material and substantial duties of their normal occupation and the employee is not engaging in any other gainful occupation, whether as an employee or otherwise.

‘*Suited Occupation’* - This is where an employee, who is away from work as a result of illness or injury, is incapacitated if, at the end of the deferred period, such illness or injury prevents the employee from and therefore renders them incapable of performing the material and substantial duties of their normal occupation and any other occupation for which they are reasonably suited by education, training or experience, and the employee is not engaging in any other gainful occupation, whether as an employee or otherwise.

The *‘Combined’* definition - After 24 months of benefit instalments have been paid in respect of the employee under the Policy (whether consecutive or not) for incapacity using the Own Occupation definition, the Suited Occupation definition of incapacity will be applied in respect of any subsequent benefit instalments for the employee.

**Taxation**

Schemes for Employees

Premiums in respect of income benefits are usually treated as a business expense and would not be treated as a P11D benefit for employees. However, tax relief on premiums paid by the employer in respect of any employees who have a proprietorial interest in the company will not normally be available. HMRC may, nevertheless, agree to allow such relief if similar benefits are provided for a substantial number of other employees. Clarification of the tax position in such cases should be sought from your local Inspector of Taxes.

Income benefits received by the employer should be treated as a business receipt and when passed on to the employee as salary the payment should be treated as a business expense resulting in a neutral tax situation. The benefit paid to the employee as salary is taxable as PAYE.

Schemes for Equity Partners

Policy benefits will usually be payable to the partnership on trust for payment to the incapacitated equity partner. Benefits paid to equity partners are not subject to income tax. Premiums in respect of equity partners are not treated as a business expense.