



# Executive Income Protection

Protect your employees if they can't work due to illness or injury



## Why is Executive Income Protection cover important?



**Protecting your employees should be an integral part of any business plan.**

You probably already protect many of the important things that keep the business running smoothly, like property, fleets and stock. So it makes sense to insure your most valuable assets: your employees and directors.

## What are the risks facing your business?

Losing the skills, knowledge and contacts of a key employee who can't work due to illness or injury, can have major financial consequences both for them and your business. Their absence could leave your business facing the cost of covering their sick pay when they aren't at work as well meeting any ongoing employer pension contributions and employer National Insurance Contributions.

Although you can't predict the future, Executive Income Protection cover can give your business vital financial breathing space, and it's also a tax efficient protection plan for both you and your employee.

**Important: Executive Income Protection has no cash in value at any time. If you stop paying your premiums, the policy may end.**

## How it works

**The Executive Income Protection plan is set up on an individual basis where your business takes out the policy and becomes the policy owner, and your employee is the person insured.**

Your business pays the premiums every month (from your gross profit) and the employee is insured against illness or injury that would stop them from carrying out their own normal occupation.

The premiums are normally a business expense for you, (provided that they are used wholly and exclusively for protecting your business) and are not classed as a benefit in kind (P11D) for the employee.

The amount of cover can be up to 80% of the employee's combined earnings. This includes salary, bonuses, P11D benefits, dividends and spousal dividends provided they would cease if they aren't working.

You can also choose to cover your employer National Insurance Contributions and employer pension scheme contributions as an additional cover, at an extra cost. These are subject to policy and HMRC limits which your financial adviser can explain to you.

- If your employee suffers illness or injury that will keep them off work for a long period, your business would submit a claim to LV=.
- Once the claim has been checked and verified, we would start to pay the agreed monthly benefit to you after the waiting period has finished.
- A waiting period of 1, 2, 3, 6, or 12 months is set up at the application stage, taking into consideration how long your business could fund the on going costs of paying the employee whilst they are unable to work.
- We pay the amount agreed to your business, and you then pass it on to the employee via PAYE (in the same way as you would usually pay their salary).
- We'll pay the monthly amount until the employee is able to return to work. The maximum length of time we'll pay for depends on whether you select the full or budget version of the plan. Under the full plan we'll pay until:
  - The employee leaves your employment
  - The person insured is able to go back to work
  - Your policy reaches its end date
  - The person insured is not following the advice of their doctor or refuses to follow any reasonable treatment request
  - The date the person insured leaves your employment
  - You, or we, cancel the policy
  - The person insured dies

Under the budget plan it's limited to either 12 or 24 months, again selected by you at the outset.

## Who is it designed for and why do I need it?

**LV= Executive Income Protection is aimed at small to medium-sized businesses (SMEs)** like yours to help safeguard their financial future by providing a monthly payment which you then use to fund sick pay benefits for employees in the event they are unable to work due to illness or an injury. It's available to Limited Companies and Limited Liability Partnerships. It's not available for sole traders or the self-employed.

Your business may be too small to offer a group sick pay scheme, so Executive Income Protection can help your employee to meet their financial commitments and not rely solely on their personal savings or state benefits.

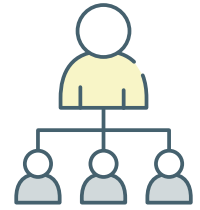
Even if you do provide a group sick pay scheme to your employees but would like to provide a separate bespoke sickness benefit to a key employee, the specific employee could be removed from the main scheme and offered Executive Income Protection instead. This would allow you as the employer, the opportunity to increase the level of cover or offer sick pay for a longer term to that individual. However there are overall limits to income protection payments and your financial adviser will help you to ensure employees are not over-insured.

## What other cover should be considered?

LV= Executive Income Protection doesn't provide a payment on death of the employee, so if you want to provide death in service benefits for them, you should consider our Relevant Life Cover plan.

To protect your business from the financial impacts of the sudden and unexpected death or critical illness of a key employee, you should consider taking out LV= Key Person Cover on their life.

You can obtain further details of these plans from your financial adviser.



## Why choose LV= Executive Income Protection?

We've been protecting our customers since 1843. At LV= we're passionate about helping people protect what they love in life, through a range of protection products backed up by award-winning customer service.

In particular, LV= has been providing customers with its award-winning and market leading Income Protection solutions for many years. This expertise and knowledge of the market is a large part of the reason why we paid out £14.7m\* in Income Protection claims to over 1,000 individuals and families in 2022.

### Providing tax efficiencies for you and your employee

The premiums under Executive Income Protection are usually classed as a tax-deductible expense for your business, provided they are wholly and exclusively for the purpose of running the business and the employee doesn't have a financial interest in your business. Premiums are also not classed as a P11D benefit in kind making it more tax efficient than you paying the premiums for personal Income Protection cover for your employee.

If the person insured is unable to work and we begin to pay your claim, the monthly benefit is paid to your business, which is normally classed as a trading receipt. You then pass the appropriate amount to your employee via PAYE, after deduction of any employer's National Insurance Contribution or pension contribution, if you choose to cover these expenses. This means the overall position should be tax neutral for your business. However we recommend you check the position with your accountants and your local inspector of taxes.

### Offering a high maximum benefit

We'll cover up to 80% of your employee's earnings at outset up to a maximum amount of cover of £300,000 a year for level cover and £225,000 a year for inflation-linked cover. As noted above, you can also choose to add cover to protect your employer National Insurance Contributions and pension scheme contributions.



**In 2022, we paid £14.7m\*  
in IP claims to over  
1,000 individuals & families**

\*Our Executive Income Protection was launched in July 2021, therefore these figures include mainly personal Income Protection claims admitted in 2022 and claims still in payment in 2022 that were made before 1 January 2022.

### Own occupation definition

We will pay on a valid claim if your employee is unable to do the main tasks of their normal occupation because of illness or injury. By main tasks we mean the things which can't reasonably be left out of their role by the employee or by you.

### Cover continuity for your employee

If the employee leaves your employment, the policy will usually end, and any claim we are paying will then stop. However provided we are not paying a claim at the time they leave, our continuation option allows you to transfer the policy to another eligible employer within 90 days of the employee leaving your employment. This gives your employee the flexibility to keep their valuable protection in place if they move to a new employer or decide to start their own small business, which is eligible to own the policy, and they're a salaried employee of that business.

### Guaranteed Increase Option if your employee's salary increases or pension contribution rules change

The cover level you've chosen at outset can be increased by up to a maximum of £10,000 a year if your employee's salary increases or, if the additional optional cover is included, your employer National Insurance Contribution rates increase or if there is an increase in your employer's pension scheme contributions. The increase must be requested within 3 months of the event, and overall limits apply both to the policy (please refer to the Policy Conditions) and to HMRC rules (please refer to your accountant or to a tax specialist for the latest position).

## Valuable everyday benefits for you and your employee

### LV= Business Care

LV= Business Care is our free advice service providing advice on legal and tax issues. It's available to all business owners who buy an LV=Business Protection policy and includes the following:

- Business legal advice line – we've partnered with a firm of solicitors to offer you free business legal advice. This service includes advice on a number of commercial issues, including employment law, health and safety issues, commercial risks and advice on contracts.
- Business tax and VAT advice line – this service provides access to tax and VAT experts, including accountants and ex HMRC employees. It covers areas like tax and VAT relief, self-assessment returns, changes to tax and VAT rules and dividends paid from limited companies.
- Personal legal advice line – our free Legal Advice Line is run by a team of legal advisers who can talk to you about your rights and how to deal with various legal situations. You can get advice on a number of areas including general law, property related issues, wills and probate and family law.



When you take out this policy you agree to be a member of Liverpool Victoria Financial Services Limited (LV=). Being a member means you'll have access to a range of LV= benefits designed for you, your family and your life. It's our way of saying thank you for choosing us. To see the full range, and any conditions that may apply, visit [LV.com/benefits](https://www.lv.com/benefits). We review our LV= benefits from time-to-time so they may change or be removed in the future. Membership is only available to the policy owner for this product and the person insured won't become a member.

### LV= Doctor Services

Once you've taken out Executive Income Protection with us, the insured employee and their spouse/partner (provided they live at the same address) can use LV= Doctor Services. This provides fast, convenient access to UK based doctors and medical specialists through six expert medical services:

- Unlimited and 24/7 access to a remote GP
- Second opinion service
- Prescription service\*
- Remote physiotherapy\*\*
- Remote psychological service\*\*
- Discounted health MOTs



\* There is no charge for the private prescription service, but the person insured will need to pay for the private prescription medicine and the costs will vary depending on the medication prescribed. An additional fixed fee of £10 applies if they choose to have it delivered to their home address.

\*\* up to 5 sessions per year shared between the person insured and their spouse/partner.

The six services are provided by our partner, Square Health and accessed via one simple app or phone call. This helps the person insured and their spouse/partner to keep their own health in check whatever their medical concern and wherever they are – at home, at work, or away on holiday.

LV= Doctor Services is a non-contractual benefit and can be changed or removed at any time. LV= Doctor Services and LV= Business Care are provided by third party companies. These services are not regulated by the Financial Conduct Authority or the Prudential Regulation Authority.

**Please note any references to tax treatment are based on our understanding of current legislation and HMRC practice, which can change in the future. Correct as at May 2023.**

**For more information on the LV= Executive Income Protection plan, please ask your financial adviser.**

**You can get this and other documents from us in Braille or large print by contacting us.**

**Liverpool Victoria Financial Services Limited: County Gates Bournemouth BH1 2NF**

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