



Executive income protection at a glance

Executive income protection lets your clients with small businesses provide their valuable employees with an employee benefit to help them financially while they're unable to work. Your clients can insure their employee's taxable earned income, employer pension and National Insurance (NI) contributions.



What's taxable earned income?

This is income that will be lost in the event of incapacity and could include:

- Salary
- Commission
- Bonuses/overtime (as long as the employee (insured person) can prove that this has formed part of their normal salary over the last three years)
- P11D benefits which could be lost in the event of incapacity

Income for a company director of their own business, who is also a shareholder, means the salary and dividends received from the profit generated after deduction of corporation tax in the 12 months before a claim.

How does it work?

Your client (the employer) chooses the benefit term and when they want income payments to start and how long they want the benefit payment to be paid.

At the start of the policy, there will be a deferred period of 4, 8, 13, 26 or 52 weeks before we'll start paying the monthly benefit amount, which they can choose. We'll make the first payment one month after the end of the deferred period. Our executive income protection comes with a choice of a 2-year or full term benefit payment period.

If your client (the employer) chooses the 2-year benefit payment period, we'll pay the monthly benefit amount for a maximum of two years. Payment will start at the end of the chosen deferred period and will end on the 24th month or earlier if they are fit to return to work. The employee (insured person) will need to return to work for a period of six months before your client (the employer) can claim again.

If your client (the employer) chooses the full term benefit payment period, we'll pay the monthly benefit amount for as long as the employee (insured person) meets the definition of incapacity that applies to the policy or until the policy ends. Payment will start at the end of the chosen deferred period.

For full details see the **Business Protection policy conditions**.

What are the definitions of incapacity?

We offer two definitions of incapacity:

- Own occupation
- Activities of daily work

We'll offer the best definition available. If the employee (insured person) takes a career break, we may have to change their definition of incapacity. See our **Business Protection policy conditions** for more information.

What's the maximum benefit amount?

The maximum benefit calculation is:

- 80% of the employee's (insured person's) pre-incapacity taxable earned income, up to a maximum of £150,000 a year, plus
- the yearly contribution towards the employee's (insured person's) pension made in the previous 12 months by the company, plus
- employer NI contributions, up to the amount paid for the employee (insured person) in the last 12 months.

The combined overall limit for pension and NI contributions is £30,000. The total benefit amount available is £160,000 a year.

What are the age limits?

- Age at entry: 18 to 59 years old
- Term: 5 to 51 years
- Maximum age at benefit expiry: 70 years old

How long will you pay executive income protection?

We'll continue paying the monthly benefit amount until the earliest of:

- the end of the benefit term for full term executive income protection;
- the end of the benefit payment period for 2-year executive income protection;
- the employee (insured person) no longer meets the definition of incapacity that applies to the policy;
- the employee (insured person) stops suffering a loss of earnings;
- the employee's (insured person's) employment with the company ends, or
- the employee (insured person) dies.

What happens if the company stops trading?

If we're not paying a valid claim at the time, the executive income protection cover will end.

If we're already paying a valid claim, we'll continue to pay the benefit amount to the employee (insured person) until it stops due to one of the above circumstances. In this scenario, we'll restrict the meaning of income to no longer include pension or NI contributions.

Why choose executive income protection?

Helps small businesses attract and retain key talent

Small businesses don't have the scale to qualify for group risk schemes, but a competitive employee benefits package could help them attract and retain the right employee base. As the **only** provider to offer both Relevant Life and executive income protection, we can help you design unique employee benefits packages for your clients.

For more information about executive income protection, speak to your usual Aegon sales representative.

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Normally tax efficient

Your client's policy payments will normally be allowed as a business expense if they meet the wholly and exclusively for the purposes of the business test.

As your client (the employer) owns the policy, the policy payments aren't treated as a benefit in kind for their employee (insured person). When we pay a claim to your client (the employer), they can then pay this to their employee (insured person) via PAYE as relevant UK earnings.

This information is based on our understanding of current taxation law and HMRC practice, which may change.

Rehabilitation benefit and proportionate benefit

We could pay a reduced benefit amount if the employee's (insured person's) no longer able to carry out their normal occupation but can return to work with fewer duties or working less hours, or can take up different work within the same company at a lower income.

Helps employees to continue saving for retirement

As executive income protection covers employer's regular pension contributions, your client can continue contributing to their employee's (insured person's) pension. This means as well as providing pre-retirement cover for their employee (insured person), they can also continue saving towards their retirement goals. Read our **Executive income protection - financial security for your clients** case study for more information.

Waiver of premium

We automatically include waiver of premium benefit, which means we'll cover your client's premiums while we're paying the monthly benefit amount.

Policy Plus

Both your client and their employee (insured person) will have access to Policy Plus throughout the term of their policy, at no extra cost. This provides access to a second medical opinion service, 24/7 health and wellbeing service, and a key person replacement service. Read **Policy Plus – helping your clients to move forward** to find out more.

