



## Business Protection

# Relevant Life at a glance

Relevant Life is a life insurance policy available to employers to provide an individual death-in-service benefit for an employee.

### Who it's suitable for

Relevant Life could be suitable for employees of:

- ✓ Sole traders
- ✓ Partnerships
- ✓ Limited liability partnerships (LLPs)
- ✓ Limited companies
- ✓ Charities

### It's not suitable for:

- ✗ Sole traders (in their capacity as business owner)
- ✗ An equity partner in a partnership
- ✗ A member of a LLP

### Why Relevant Life?

- It can help smaller businesses attract and retain high-calibre staff by offering them attractive benefit packages in a tax-efficient way.
- It can be a tax-efficient way for directors to make provision for their family and have their life insurance paid for by the company.
- It allows employees, who are members of group life schemes, to top up their life cover without affecting their annual and lifetime allowances.

### What are the conditions for a relevant life policy?

- The policy must only provide a lump sum death benefit payable before age 75.
- The death benefit must be payable when the insured person dies, unless the circumstances surrounding the death are excluded in the policy conditions.
- The policy doesn't have, and mustn't be capable of having, a surrender value.



- The benefit(s) must only be payable to an individual or a charity, although they can be payable to a trustee(s) for them to pay the funds to an individual or charity.
- The claim proceeds must be capital in nature and shouldn't constitute income.
- The main purpose of the policy mustn't be tax avoidance.
- Where terminal illness benefit is included on the policy, this benefit must only be payable while the employee is in the employment of the employer paying the premiums.

This information is based on our understanding of current legislation, taxation law and HM Revenue & Customs (HMRC) practice, which may change.

## Why choose our Relevant Life policy?

### Immediate cover facility

You can choose to apply for our immediate cover facility, subject to underwriting.

- ✓ Full cover for the first 60 days while we request any necessary medical information.
- ✓ Immediate cover up to £3.5 million.
- ✓ Proof of earnings only required if the benefit amount is over £2.5 million.
- ✓ Held in trust, when using our **Declaration of trust for a Relevant Life policy**.

## Accidental death benefit

We automatically include accidental death benefit when our immediate cover facility isn't in use.

- ✓ Accidental death cover for up to 60 days.
- ✓ Available for insured persons up to age 55.
- ✓ Provides cover of the lower of £250,000 or the benefit amount.
- ✓ Held in trust, when using our **Declaration of trust for a Relevant Life policy**.

## Guaranteed insurability options

With our guaranteed insurability options, your clients can increase their benefit amount, without providing further medical evidence. This is available at the following lifestyle events:

- ✓ Birth or legal adoption of a child
- ✓ Marriage or civil partnership
- ✓ Change of home, home improvement or home extension
- ✓ Career change or promotion
- ✓ Divorce or dissolution of a civil partnership

These options are available up to the insured person's 55th birthday.

## Trustee flexibility

To help fulfil the legislative requirements for a relevant life policy, your client should arrange for their Relevant Life policy to be held in trust for the benefit of the insured person's (their employee's) family.

With our **Declaration of trust for a Relevant Life policy**, your client has the choice to act as a corporate trustee or not.

- By acting as a corporate trustee, they can make sure that their employee's wishes are carried out as they'd intended. This can make a real difference to their employee's family at a difficult time, while helping your client to retain loyal staff.
- However, in some circumstances, it may be better for your client not to be a corporate trustee, for

example where they're a company with a sole shareholder director.

## Portability

If the insured person leaves your client's employment and their policy is held in our **Declaration of trust for a Relevant Life policy**, there are various options available:

- The employee could let the policy lapse.
- The employee could maintain the policy personally within the existing trust, but the terminal illness cover would stop.
- The employee's new employer could pay the premiums.
- The trustees could transfer the ownership of the policy to the employee, and the employee could pay the premiums. In this case, the policy would no longer qualify as a relevant life policy and the terminal illness cover would stop.

## Options for setting up cover

- ✓ Level cover – benefit amount stays the same throughout the benefit term.
- ✓ Reducing cover – benefit amount reduces over the policy term in the same way that a repayment mortgage would reduce if it was repayable at a yearly interest rate of 10%.
- ✓ Increasing cover – benefit amount increases each year in line with the Retail Prices Index (RPI), and the premiums increase each year at 1.5 times the increase in RPI.
- ✓ Renewal option – choose to renew the benefit every five years, without providing further medical evidence.

## Policy age limits

- Age at entry: 18-73 for level cover, and 18-72 for reducing cover
- Term: 1-50 years
- Maximum age at policy expiry: 75

**For more information about our Relevant Life policy, speak to your usual Aegon sales representative.**



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