For customers

Key features of the Relevant Life policy

Contents

The Financial Conduct Authority (FCA) is a financial services regulator. Scottish Equitable plc is regulated by the FCA in carrying out insurance business and is part of Aegon UK. The FCA requires us, Aegon, to give you this important information to help you to decide whether the Relevant Life policy is right for you. You should read this document carefully so that you understand what you're buying, and then keep it safe for future reference. We do not offer personal recommendations.

These are the key features of your Aegon Relevant Life policy. You'll also get a personal illustration, so you can put figures to the benefits you've chosen.

You should pass a copy of both this **Key features of the Relevant Life policy** and the personal illustration to the insured person (your employee).

Please take some time to go through these documents to make sure you understand what the product is and how it works.

Keep these safe with your other Relevant Life policy documents.

These key features refer to our product terms as at March 2019.

The information is based on our understanding of current legislation, taxation law and HM Revenue & Customs (HMRC) practice, which may change. We also recommend that you take advice from a qualified tax adviser, as the tax legislation surrounding relevant life policies is complex.

Its aims

To pay out a cash lump sum if the insured person dies or is diagnosed with a terminal illness during the benefit term, as long as the premiums are still being paid.

Designed for employers with the following demands and needs:

- They want to provide benefits for employees, but don't have enough employees to qualify for a group risk scheme.
- They have employees with substantial pension funds who don't want their benefits to form part of the lifetime allowance under their pension.
- They want to provide their employees with benefits that exceed the amounts provided by their main company scheme.

Your commitment

- You, as employer, agree to pay regular monthly or yearly premiums throughout the term of the policy.
- You, as employer, the insured person (your employee), their personal representatives and/or the trustees, agree to give us all the information we ask for when applying for the policy and when making a claim. If they or you don't do this, we won't pay the claim.
- The insured person (your employee) must tell us in writing if there's any change in their circumstances (for example health, lifestyle, occupation or employment status and/or recreational activities) between the date they answered the application questions and the start date of the policy. If there's any change in their circumstances at all, they should tell us.
- You, as employer, the insured person (your employee), their personal representatives and/or the trustees agree to let us know of any claim they need to make within the relevant time limits.
- If you, as employer, the insured person (your employee), their personal representatives and/or the trustees don't meet the commitments detailed above, we might not pay the claim and/or the protection will stop immediately.

Risks

- If the premiums aren't paid, the protection will stop immediately.
- The policy only provides protection and has no cash-in value at any time.
- We might not pay out a claim under certain circumstances. You can find more details on this in the section **What will stop the policy from paying out?**
- If the information we receive from the insured person (your employee) when you (as employer) take out the policy is incomplete, incorrect or untrue, we might not pay the claim. This could be information the insured person gives us or information you and/or your adviser give us on their behalf.
- A relevant life policy can attract beneficial tax treatment, as long as it meets certain legislative criteria and is written under trust. If the policy doesn't meet this legislative criteria and/or it isn't written under trust, the tax treatment could be severe. The tax treatment depends on the individual circumstances of each employee and may be subject to change in the future.
- There's no guarantee that a favourable tax position will apply in all cases. Your tax adviser should be able to provide confirmation on the tax treatment of the policy for both the business and employee. If not, they may be able to get clarification from HMRC.

Questions and answers

What's a relevant life policy?

Put simply, it's an alternative, tax-efficient way for an employer to provide a lump sum death benefit for an employee without the need to set up a group life scheme.

In what circumstances can a relevant life policy be used?

A relevant life policy can be used in the following circumstances:

- Where a small business doesn't have enough employees to qualify for a group life scheme.
- Where employees have substantial pension funds and they don't want the benefits to form part of the lifetime allowance under their pension. The premiums paid for the relevant life policy won't impact the employee's annual allowance either.
- Where you want to provide benefits which exceed the amounts provided by the main company scheme.

In what circumstances can a relevant life policy not be used?

A relevant life policy can't be used for business loan cover, business continuity or business succession planning.

Who can apply for a relevant life policy?

If you want to apply on behalf of an employee, you can be:

- a sole trader (as a business with employees);
- a partnership;
- a limited liability partnership;
- a limited company, or
- a charity.

However, as the following aren't employees, they can't be covered under a relevant life policy:

- A sole trader (in their personal capacity as business owner)
- An equity partner in a partnership
- A member of a limited liability partnership

Why choose a relevant life policy?

- In many circumstances, small businesses won't have enough employees to qualify for, or need, a group life scheme. Relevant life policies are written on a single insured person basis on the life of an employee, allowing any business to take out this cover.
- The benefit won't form part of the employee's lifetime allowance.
- The premiums paid won't impact the employee's annual allowance.
- In comparison to a life protection policy taken out on a personal basis by an employee and paid for by you (as employer), there will be National Insurance (NI) savings for both you and the employee.
- The premiums you pay (as employer) for a relevant life policy won't normally constitute a taxable benefit in kind, as the policy will be providing retirement (in the form of terminal illness cover) or death benefits. Therefore these premiums won't normally be subject to income tax.
- The claim proceeds won't normally be subject to income tax or corporation tax, where the policy is held in trust.
- You should be able to claim tax relief for the premiums paid, as long as the premiums meet the **wholly and exclusively for the purposes of the business test**.
- You must put the policy in trust. This will normally mitigate the risk of the benefits forming part of the employee's inheritance tax (IHT) estate on death and help to make sure that the policy qualifies as relevant life.

Questions and answers

Annual allowance

The annual allowance is the maximum amount of pension saving the employee can make each year that benefits from tax relief.

Lifetime allowance

Lifetime allowance is the overall amount of pension and/or lump sum savings that the employee can have under all their registered pension schemes throughout their life that benefit from tax relief. When the employee starts taking benefits, the value of their benefits will be tested against the lifetime allowance and there will be a tax charge on any excess value.

'wholly and exclusively for the purposes of the business' test

For tax relief to be available for a particular expense incurred in running the business, the reason for that expense must be wholly for the purpose of the trade or business. In other words, the expense shouldn't serve a dual purpose (for example, it shouldn't have some business and non-business use, with the split between the two not being readily recognisable). Non-business related expenditure isn't tax deductible.

What are the conditions for a relevant life policy?

The conditions that have to be met for a policy to qualify as a relevant life policy are:

- 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 benefits 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 a 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 who's paying the premiums.

What are the product details?

The policy can only be taken out on a single-life basis. The only benefits which can be provided under the Relevant Life policy are terminal illness cover during the employee's employment with an employer who's paying the premiums, and lump sum death benefits. In other words, the policy can't be used to provide other benefits such as critical illness benefits or income protection.

The benefit amount can be level throughout the term or alternatively you can choose increasing or reducing life protection. If you choose reducing life protection, the benefit amount will reduce each month in the same way that a capital and interest loan would reduce if it was repayable over the benefit term at a yearly interest rate of 10%. See the **Indexation option** section for more information on increasing cover.

Cover can be taken on a fixed-term basis of up to 50 years or on a five-year renewable basis up to the insured person's 60th birthday.

You'll pay the premiums to maintain the policy. These can be paid monthly or yearly by direct debit.

The Relevant Life policy should be held in trust to mitigate the risk of it forming part of the employee's IHT estate when they die. We have a specimen **Declaration of trust for a Relevant Life policy** which has been designed for this purpose, or you could get a solicitor to draft a bespoke trust.

If the insured person leaves your employment there are various options:

- The employee could choose to let the policy lapse.
- The employee's new employer could pay the premiums with the tax benefits of a relevant life policy generally continuing.
- The employee could maintain the policy personally within the existing trust, but the terminal illness cover would stop. The trustees should take tax advice to make sure the trust continues to be IHT effective.
- The trustees could transfer the ownership of the policy to the employee and the employee could pay the premiums. The policy can't qualify as a relevant life policy in the future and the terminal illness cover would stop.

We recommend that the insured person takes the appropriate advice at this time.

Questions and answers

Guaranteed insurability options

Once your cover has started, if the insured person's circumstances change, they may be able to increase the benefit amount without having to provide any more information about the state of their health. These options are only available if you haven't been charged an extra premium or had additional exclusions applied to the policy due to the insured person's health. For more information on guaranteed insurability options, please speak to a financial adviser or see our **Relevant Life policy conditions**.

Accidental death benefit

We'll automatically include accidental death benefit for up to 60 days.

If the insured person dies as a result of an accident while we're assessing your application, we'll pay out a lump sum. 'Accidental death' means 'death within 72 hours following accidental bodily injury resulting solely and independently from causes not related to or contributed to by any pre-existing illness, disease or physical disorder'. Accidental death excludes death as a result of suicide or death, where in our reasonable opinion, the insured person took their own life. All of the following conditions apply to accidental death benefit:

- It will start from the date we receive a fully completed application and direct debit instruction.
- The insured person must be under the age of 55 (any accidental death benefit cover will stop on their 55th birthday).
- It will be limited to the lower of £250,000 or the benefit amount.
- It will last for up to 60 days or until we decide we can't currently offer you insurance or 21 days after the issue of acceptance terms, whichever is earliest.
- We won't pay any claims where the accidental death is caused by self-inflicted injury, hazardous pursuits, alcohol or drug abuse, war and civil commotion, flying (other than as a passenger in a commercially licensed aircraft) or any pre-existing conditions.

It's not available if you've applied for similar cover elsewhere. If you've chosen to use our immediate cover facility, any accidental death benefit will automatically stop when the immediate cover starts.

For more details on this, including a full list of the circumstances in which we won't pay a claim, please speak to a financial adviser.

Immediate cover facility

We can provide immediate cover for the first 60 days while we request any necessary medical information. For us to consider this, we need:

- a completed application form;
- a fully completed direct debit instruction;
- payment for the first 60 days' premium by cheque or direct debit, and
- all financial evidence.

If the insured person has any serious or unusual health conditions or has an occupation or pastime we believe to be a higher than normal risk, then it's unlikely we'll be able to offer the immediate cover facilitiy (ICF).

This facility is subject to underwriting and isn't available on all cases.

The maximum benefit amount is £3.5 million. You can't use this facility if the insured person has cover with us or another provider which you or the insured person intends to cancel and replace with the protection benefits you're applying for. You also can't use this facility if you or the insured person intend to apply to a number of providers at the same time for the same protection benefits.

For benefit amounts up to £2.5 million, if there isn't enough information on the application form we'll require proof of the insured person's earnings.

If the benefit amount is £2,500,001 to £3,500,000 then we'll always need proof of the insured person's earnings.

When we have all the information we need to make a decision, our underwriters will check the application. We'll let you know if the insured person has been accepted for our ICF, and on what terms – normally within three working days.

Questions and answers

Renewal option

Instead of setting up your benefit on a fixed-term basis, you can choose to renew your benefit every five years, up to the insured person's 60th birthday. At the end of each five-year term you can renew the benefit without the insured person having to provide any more information about their health. Your premium will be based on our premium rates and the insured person's age at the time you renew your benefit, so it may go up. This option's only available if you haven't been charged an extra premium or had additional exclusions applied to the policy due to the insured person's health.

Indexation option

You can select this option to help protect the benefit amount against the effects of inflation. The benefit will increase each year in line with the increase in the Retail Prices Index (RPI). The premiums will increase each year at 1.5 times the increase in the RPI. The increase in the RPI will be limited to a maximum increase of 10% and a minimum increase of 0%. Indexation isn't available with reducing cover.

What level of cover will we offer?

There are no limits to the level of cover set out in legislation. Usually the level of benefit will be calculated as a multiple of the employee's salary. The maximum level of cover we'll offer will be:

Up to age 35	30 times salary
Ages 36-50	25 times salary
Ages 51-60	20 times salary
Ages 61 and over	15 times salary

For the purposes of the cover, salary could include regular bonuses, commission, overtime and P11D benefits. In the case of a shareholder/director, we'll also take dividends into account.

We'd recommend that a shareholder/director of a close company takes appropriate tax advice if they want to take out significant levels of cover on their own life.

The minimum financial evidence we'll need is shown in the table at the top of the right hand column on this page. We reserve the right to request additional evidence for any benefit amount.

Benefit amount	Evidence needed
Up to £2,500,000	We'll normally only need the application form*
£2,500,001- and above	Application form and proof of earnings. For example: • The last three payslips • P60 • Accountant's letter – we normally only need this for directors with a low salary and large dividends which can't otherwise be evidenced

* While we don't routinely need any formal evidence, we'll sense check the benefit amount against the multiple of earnings table above.

How do I make a claim?

If you (as employer) or the trustees need to make a claim, please get in touch with us either in writing or by phone. If you need to make a claim, you must let us know as soon as possible. To allow us to assess all claims, we'll get any supporting information that might be required.

For a terminal illness claim, we need to get written evidence from a medical specialist appropriate to the cause of your claim which meets the satisfaction of our chief medical officer. At the time of claim, the insured person doesn't need to be resident in one of the home countries (United Kingdom, the Channel Islands or the Isle of Man) or one of the designated countries (European Union, Andorra, Australia, Gibraltar, Liechtenstein, Monaco, San Marino, Turkey, the Vatican City State, New Zealand, Canada, Iceland, Norway, Switzerland or the United States of America), but, the medical specialist providing reports must hold an appointment as a Consultant or equivalent at a hospital in one of the home countries or one of the designated countries.

Questions and answers

What will stop the policy from paying out?

If you and the insured person don't give all the relevant facts, the protection provided by the policy could be lost or cancelled and your claim rejected. In certain circumstances we won't pay out a claim.

We won't pay out a claim as a result of:

- suicide;
- an event where, in our reasonable opinion, the insured person took their own life, or
- an event which, in our reasonable opinion, was intentionally caused by and/or arranged by the insured person and which resulted in their serious self-injury:
  a. within 12 months of the policy start date;
  b. within 12 months of the date a policy is reinstated, and
  c. within 12 months of a benefit amount being increased (except where the increase occurred under the indexation option), but only for the increase amount.

We won't pay out for a terminal illness diagnosed in the last year of the benefit term or after the employee has left the service of the employer paying the premiums.

If there are any additional reasons why we won't pay out a claim on your policy, we'll tell you about them before your cover starts. They'll also be included in your policy schedule.

What do I have to pay?

You can find details of your premiums in your personal illustration. All premiums are paid by direct debit and are due throughout the term of the policy. We take various things into account when calculating your premium. These include the age of the insured person, whether they smoke, their medical history, their occupation, any hazardous pursuits they're involved in, how much cover you've selected and for how long.

What are the premium types?

Cover is available on a guaranteed premium basis only. Guaranteed premiums mean that the amount you pay when you take out the benefit stays the same throughout the benefit term. If you choose the indexation option, the premium will increase each year at 1.5 times the increase in the RPI, subject to a maximum increase of 10% and a minimum increase of 0%.

What are the charges?

You can find details of your premiums in your personal illustration.

What if I stop paying?

If you stop paying premiums your policy will stop and the insured person will no longer be covered for any of the benefits you've chosen. You won't get any of your premiums back. If you stop paying premiums but then want to restart your policy, write to us and we'll let you know if this is possible.

We might:

- make a charge for restarting your policy;
- ask for proof that the insured person is in good health;
- ask for proof that the insured person's occupation and leisure activities are, in our opinion, not more likely to cause death in service or terminal illness than before, or
- increase your premiums.

You can stop paying premiums at any time by cancelling your direct debit and writing to us at the address shown in the **Can I change my mind?** section.

What about tax?

Premiums

The employee won't normally have to pay income tax or employee's NI contributions for the premiums you pay.

You won't normally have to make employer's NI contributions for the premiums paid. You should be able to claim tax relief for the premiums paid, as long as the premiums meet the **wholly and exclusively for the purposes of the business** test.

Benefits

These aren't normally subject to UK income tax or capital gains tax where the policy is in trust.

What if the employee moves overseas?

The policy is designed to comply with UK tax legislation. If the employee moves overseas after the policy has been issued, they will have to take their own independent tax advice. There could be adverse tax implications for both the premiums and any future claim payments..

Questions and answers

Trust

The Relevant Life policy should be placed within a trust. We have a specimen **Declaration of trust for a Relevant Life policy** which can be used for this purpose. This will help to mitigate the risk of the policy forming part of the employee's IHT estate. When the employee leaves the employment of the original employer and wants to continue to maintain the policy in trust personally, they should take advice to make sure that they keep the IHT benefits.

If the employee changes employer, the new employer can take over the payment of the premiums and the policy should normally still qualify as a relevant life policy as long as it's still in the original **Declaration of trust for a Relevant Life policy**.

As our **Declaration of trust for a Relevant Life policy** is a discretionary trust, IHT charges could arise on each 10th anniversary of the trust (10-year charge) and when assets leave the trust (exit charge).

For more information on this, please speak to your financial adviser.

This tax information is based on our understanding of current legislation, taxation law and practice, which may change. All details are correct at the time of publication.

Can I change my mind?

Yes. After your policy has started, we'll send you a notice telling you of your right to cancel. You'll then have 30 days from the date your policy starts, to change your mind and get a refund of all premiums paid. To cancel your policy you should complete the cancellation notice and send it to:

Customer Service Centre
Aegon
Edinburgh Park
Edinburgh
EH12 9SE

If you don't cancel your policy it will continue.

If this product was recommended to you by a financial adviser, you may have a legal right to compensation if it's established that the recommendation was unsuitable when it was made.

What if Aegon can't pay out the benefit amount for any reason?

In the event that we weren't able to pay your claim, you'd have access to the Financial Services Compensation Scheme (FSCS). The amount of cover depends on the type of business and the circumstances of the claim. Insurance business of this type is generally covered for 100% of the value of the whole claim, without limit.

Compensation

If you're a retail client, your policy with us is covered by the Financial Services Compensation Scheme. You may be entitled to compensation from the scheme if we can't meet our obligations (for example, if we were to become insolvent or unable to meet the claims against us). This depends on the type of business and the circumstances of the claim. Insurance business of this type is generally covered for 100% of the value of the whole claim, without limit.

You can get more information about compensation arrangements from the Financial Services Compensation Scheme by calling 0207 741 4100 or visiting fscs.org.uk

Solvency Financial Condition Report

The Scottish Equitable plc Solvency Financial Condition Report (SFCR) is available on our website at aegon.co.uk/content/aegon-uk-sfcr.pdf

How do I complain?

We hope you never have to complain, but if you do, the first step is to write to us. If you're not satisfied with our response, you can then raise the issue with:

The Financial Ombudsman Service
Exchange Tower
London
E14 9SR
0800 0 234 567 or 0300 123 9 123

financial-ombudsman.org.uk

complaint.info@financial-ombudsman.org.uk

If you'd like a copy of our complaints procedure, please ask us, or you can download it from the **Contact us** section of our website at aegon.co.uk

Other information

About us

We've been helping people take responsibility for their financial future since 1831 when Scottish Equitable was founded in Edinburgh.

Today we're part of Aegon N.V., an international provider of life insurance, pensions and asset management, with businesses in over 20 countries around the world.

We provide retirement, workplace savings and protection solutions to over two million customers in the UK, helping them create the tomorrow they want.

Aegon is a brand name of Scottish Equitable plc. Scottish Equitable plc is on the Financial Services Register (number 165548).

Your adviser

To help your adviser give you an improved service, we might provide them with marketing and promotional support, technical services and training, seminars, travel and accommodation expenses. We might also provide them with gifts and hospitality.

Your adviser can give you details of any benefits they receive from us.

Terms and conditions

This key features document only gives you a summary of the main points of the policy. You can find full details in the policy conditions booklet. You should read this carefully, as it sets out the terms and conditions of the contract between you and Scottish Equitable plc.

If you have more questions, or need any more information, a financial adviser will be able to help you.

Time limits

We'll let you know of any time limits that might apply that aren't covered in your key features or illustration, for example any time limits on underwriting decisions or requirements. You must let us know if there are any changes in your or the insured person's circumstances between the date you give us the details and the date your policy starts.

Client categorisation

There are various categories of client set out in the financial regulations. If you buy this product, we'll treat you as a 'retail client'.

Being a retail client gives you the greatest level of protection under the regulations and ensures you get full information about any products you buy.

If, under the regulations, you're a professional client or eligible counterparty, we'll still treat you as a retail client although this wouldn't necessarily mean that you'd be eligible to refer any complaints to the Financial Ombudsman Service or to make a claim under the Financial Services Compensation Scheme.

Conflicts of interest

Aegon maintains a Conflicts of interest policy in accordance with all Financial Conduct Authority (FCA) Conduct of Business rules, to ensure we manage the risk of damage to customer interests. A conflict of interest may arise where an action taken by us could be seen to compromise or conflict with the best interests of our advisers, intermediaries and customers.

If we identified a conflict of interest that we couldn't manage appropriately then we'd decline to accept this business to ensure the fair treatment of our customers. We're completely transparent about where conflicts of interest can arise and our policy to deal with them. Please read our conflicts of interest policy at aegon.co.uk/content/conflicts-of-interest-policy.pdf

Law

The policyholder must be resident in the UK when the application is made, and so the contract will be set up and governed by the law in the part of the UK that they live in at that time. The applicable law can only be changed if both the policyholder and we agree.

Our **Declaration of trust for a Relevant Life policy** is governed by the laws of England and Wales.

Communication

Our contract with you is in English and any communication about it will be in English.

How we pay our employees

We pay our employees a base salary, and dependent on their role, a yearly bonus. The bonus paid is based on meeting a number of targets set at the beginning of the year. These include the level of profit the company makes from new and existing business. It's also dependent on non-financial targets, such as the quality of service we provide.

How to contact us

If you have any questions about your policy you should contact your financial adviser in the first instance.

You can also phone, email or write to us.

Call us on: 03456 00 14 02,
Monday to Friday, 8.30am to 5.30pm

Claims helpline: 03456 00 04 93

Email us at: protect_support@aegon-service.co.uk

Write to us at:
Aegon
Edinburgh Park
Edinburgh
EH12 9SE

Visit our website: aegon.co.uk

Remember, we can't give you any advice.

If you'd like a large print, Braille or audio CD version, please call 03456 10 00 10.

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