

GROUP LIFE ASSURANCE

How it Works Product Information What Are The Options For Cover?

What earnings can be covered?

Introduction

When the benefits are based on a multiple of salary or percentage of salary (usually a death in service pension) we are able to offer flexibility in respect of what salary/earnings can be used.

We will only assume risk for a clearly defined salary definition for the policy.

Notes

The salary used can include wages, earnings, salary sacrificed (see section titled 'Salary sacrifice' for further information) overtime, commission, bonus and director's fees.

The salary, on which benefits are based, can only include amounts received from the employer we have agreed to insure.

We will not include dividends or any form of loan, so these cannot form part of any agreed definition.

If a death in service pension is insured and based on someone's prospective pension, we will need to know the definition of pensionable salary used in the calculation of the benefit.

Considerations

There are a number of considerations determined by the employer:

- have you considered any contractual obligations?
- has an employee's salary been reduced due to their participation in a salary sacrifice arrangement?
- is the required definition appropriate to all those who are to be insured e.g. do 'zero contract hours' employees have a contractual basic salary?
- do you want to impose a maximum salary on which an individual's benefit is calculated?
- should the salary used allow for immediate increases or should it be fixed at the renewal date or at another date for a 12 month period?
- can you consistently provide us with salary information on the required definition? If not we should be contacted to discuss the options available

Notes

For someone who is not working, the salary used will be fixed at the date of last attendance. See Document '[Cover for an individual who is absent from work](#)' for further information.

Most commonly used definitions for employees

- current basic annual salary or wages
- current basic annual salary or wage plus the amount of any salary sacrifice
- current basic annual salary or wages, plus any other earnings received, for example overtime, bonus, commission or directors' fees
- total earnings over the preceding 12 months
- total P60 earnings over the 12 month period ending on the previous 5th April

Equity partners

Applicable for Lump Sum benefits only. We will only use 'drawings' actually taken from a partnership in any benefit calculation.

We will normally look to average these over a period of three years other than fixed share 'drawings'.

Notes

Equity partner includes full partners, fixed share partners and members of a Limited Liability Partnership (LLP).

Salary sacrifice

Participation in a salary sacrifice arrangement will reduce an employee's contractual basic salary or entitlement to receive other earnings. Our salary definition needs to reflect any salary sacrifice which is to be insured.

We do not restrict the amount of salary sacrifice that is included in the definition.

Our forms are available to download from our website: www.canadalife.co.uk/group

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