

GROUP INCOME PROTECTION

Basic benefit

What this product does

This provides the employer with partial replacement of an employee's earnings or an equity partners drawings, should they be unable to work due to illness or injury for a certain period of time.

How are benefits calculated?

The benefits can be calculated in any of the following ways:

- percentage of salary
- percentage of salary less a deducator
- fixed benefit

Notes

The amount of any deducator can be linked to state benefits. Care should be taken if a link is required as an individual may not be entitled to the payment of state benefits and we do not insure any shortfall.

Examples of basic benefits an employer may choose

	Example 1	Example 2	
Category of employee	All	Directors	Other employees
Basic benefit	75% salary less ESA + SC	75% salary	50% salary

Deductors

State benefits

The following state benefit deductors are available:

- Employment and Support Allowance (ESA)
- Employment and Support Allowance plus Support Component (ESA + SC)
- Employment and Support Allowance plus Work Related Activity Component (ESA + WRAC)

Other deductors

Any other fixed amount can be used. See section 'Maximum basic benefits' for further information.

Notes:

WRAC will not exist after April 2017. Further information can be found at our [Welfare Reform zone](#).

The state benefit will be deducted from a claim irrespective of whether this is received. In addition, the payment will not be adjusted if the amount of state benefit changes after the date the first claim payment due.

Isle of Man or Channel Islands state benefits can be used for employees in these locations.

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Maximum basic benefit

- 75% of salary, if no deducator is required
- 80% of salary, if some form of deducator is required, provided the deduction equates to at least the level of the ESA
- 50% of drawings, averaged over the previous 3 years, for an equity partner

Notes

Irrespective of the method used to calculate the basic benefit, the maximum we will insure for each individual is £350,000.

Income from other sources will be considered in the event of a claim. For further information please refer to document titled '[Limitations on benefits paid](#)'.



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Additional benefits (also known as supplementary benefits)

The following are options which you can add to the policy. There will be additional costs if any are required and we will need to be advised in advance if these are to be insured

What these are

They are designed to cover other financial liabilities which an employer or employee may have.

What can be insured?

- regular pension scheme contributions
- employer's National Insurance contributions
- a one off lump sum payment which is paid at the end of a limited claim period

National Insurance contributions

Cover can be provided for National Insurance contributions for which an employer would be liable on the level of basic benefit insured.

Notes

National Insurance contributions made by either an employee or an equity partner cannot be insured.

Regular pension scheme contributions

Cover can be provided for both employer and employee contributions. These are normally insured as a percentage of salary, although insuring a fixed amount is possible.

Maximum amounts

35% of salary, which includes a maximum employee contribution of 7.5% of salary.

Irrespective of the method used to calculate the pension scheme contribution the maximum we will insure is £75,000.

Notes

The maximum employee's contribution will be reduced if employee contributions are paid via a salary sacrifice scheme.

Pension scheme contributions cannot be insured for non pension scheme members or equity partners.

Lump sum payment

This is a one off amount payable at the end of a limited claim payment period. We can insure:

- a multiple of salary
- a multiple of benefit
- estimated future pension scheme contributions

Notes

Lump Sum payments can only be insured if more than 20 lives are insured, and the claim payment period is limited to two, three or five years. See the section 'Claim Payment Period' on the next page.

The payment of the lump sum is made at the end of the agreed limited period, provided the agreed definition of disability continues to be satisfied at that time.

Maximum amounts

These vary and will be based on the claim payment period.

- 2x salary to a maximum of £400,000 for a 2 year claims payment period.
- 3x salary to a maximum of £600,000 for a 3 year claims payment period.
- 5x salary to a maximum of £1,000,000 for a 5 year claims payment period.

Example of additional benefits an employer may choose

Category of employee	Directors	All others
National insurance	Insured	Not insured
Employer Pension Scheme Contributions	20%	10%
Employee Pension Scheme Contributions	7.5%	5%
Deferred period	26 Weeks	26 Weeks
Increases during claim payment	5%	RPI to a maximum 2.5%
Claim payment period	Cease age	3 years
Lump Sum	Not insured	1x salary

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Other decisions you have to make about the cover

The following covers areas of risk which must be clearly defined.

Deferred period

This is the period of time which an individual must be continuously incapacitated and unable to work due to incapacity before any benefits can be paid.

The following options are available:

- 13 weeks
- 26 weeks
- 28 weeks
- 39 weeks
- 52 weeks

Notes

The cost will be higher for lower deferred periods.

Claim payment period

The following options are available:

- Until the policy cease age is reached, as agreed with us
- 5 years
- 3 year
- 2 years

Notes

The cost will be lower for short claim payment periods.

Claims will be paid until the earliest of the:

- reaching the end of the claim payment period
- returning to work
- leaving employment
- death

Definition of disability

You can choose from the following definitions:

- **Standard** – Illness or injury which prevents someone from, and makes them incapable of, carrying out the material and substantial duties of their normal occupation
- **Suited** - Illness or injury which prevents someone from, and makes them incapable of, carrying out the material and substantial duties of:
 - their normal occupation
 - any other occupation for which they are reasonably suited due to their education, training or experience
- **Standard switching to Suited after two years** – A claim will initially be assessed against the 'Standard' definition, as shown above. two years after the end of the deferred period the definition will change to the 'Suited' definition, as detailed above.

Notes

The cost will be higher for the 'Standard' definition of disability.

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Other decisions you have to make about the cover continued

Increases in benefit during claim payment

We can increase the amount of any benefit being paid. This will take place on an annual basis, either on a fixed date or on the anniversary of the first payment being due.

The options we allow are as follows:

- no increase required
- fixed percentage of 2.5%, 3% or 5%
- Retail Price Increase (RPI) to a maximum of 2.5%
- RPI to a maximum of 5%
- Limited Price Index (LPI) to a maximum of 2.5%
- LPI to a maximum of 5%
- combinations of the above

Notes

The costs involved will be higher for higher levels of increase.

The basis of any increases must be agreed by us.

We are unable to insure increases linked to CPI.

Retail Price Index (RPI)

The UK General Index of all Retail Prices as published monthly by the Office for National Statistics.

Limited Price Index (LPI)

The UK General Index of all Retail Prices at the 30th September each year, as published by the Office

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

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