

# GROUP INCOME PROTECTION

## What earnings can be covered?

### Introduction

When the benefits are based on a percentage of salary 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, on target earnings or any form of loan, so these cannot form part of any agreed definition.

There are monitory amounts which we will either not include or may look to restrict.

If pension scheme contributions are insured, we will need to know the definition of salary used in the calculation of this benefit. If it is different to that used to calculate the basic benefit insured.

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

### Equity partners

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).

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

### 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 will not look to restrict salary where a salary sacrifice automatically ceases when an employee is absent, due to illness or disability.

If it does not automatically cease and the sacrifice provides additional employer pension scheme contributions, we will insure the salary to a maximum of 15% of the original salary. This will be reduced further if employee pension scheme contributions are also insured.

### Variable earnings

If the definition includes any variable earnings (commission, bonus, overtime, etc.) We always average these over a three year period.

Averaging these should provide the necessary incentive for someone to return to work.



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