

GROUP INCOME PROTECTION

How it Works Product Information Policy Exclusions and Limits

Limitations on benefits paid

Introduction

Income protection is designed to provide only a partial replacement of income lost resulting from an inability to work due to illness or injury. The partial replacement maintains a financial incentive to return to work.

In addition to the limits we impose on the benefits we will insure, see information on [‘Income Protection Benefit Options’](#), any monies paid by us may, in the event of a claim being submitted, be reduced if the claimant receives monies from certain other sources.

Notes

If a claimant continues to receive their full salary during a period of incapacity we will not pay any benefit during that period.

Maximum claim benefit

If monies are received from certain other sources we may restrict the amount of basic benefit that we pay. Information regarding the monies from other sources is provided later in this document under ‘Other income’ and ‘Other benefits’.

If necessary we will restrict the amount of basic benefit we pay so that when added to other monies being received the claimant does not:

- for an employee – receive more than 75% of their earnings
- for an equity partner - receive more than 50% of their earnings

Notes

Definitions of earnings for both employees and equity partner are shown later in this document.

Holiday pay

Any additional payments made by the employer in respect of statutory holidays or contractual leave Will not reduce the benefit we pay.

Definition of earnings for an employee

These are the greater of:

- the salary on which the benefit insured has been calculated
- the total earned income from all sources received in the last 12 months

If the claimant’s basic annual salary at the end of that period is three-quarters or less of their total earned income, we will limit earnings. The amount used will be based on their basic annual rate of salary, plus the annual average of all other earnings they have received from their current employer during the last three years.

Notes

The above will only be used when assessing the benefits which we will look to pay in the event of a claim being submitted.

Total earnings can include any commission, bonuses, overtime, directors’ fees and other variable income.

If the claimant has not been employed by the current employer for three years the average will be based on the period since joining their current employer.

Definition of earnings for an equity partner

These are the greater of:

- the earnings, as previously agreed with us, on which the benefit insured has been calculated
- the annual average of all partnership drawings in the partnership during the last three partnership accounting years

Notes

The above will only be used when assessing the benefits which we will look to pay in the event of a claim being submitted.

We may agree an alternative method of calculating the claimants earnings if they do not have partnership drawings for the whole of three accounting years.



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GROUP INCOME PROTECTION

Monies from other sources

We classify these in two ways

Other income

These are any payments that the claimant receives from:

- any employer in salary or other payments (but not any payments for statutory minimum holidays accrued during a period of incapacity)
- self-employment
- a pension, including
 - a scheme pension (but not a scheme pension in payment before and continuing after the member's deferred period starts)
 - an annuity (but not an annuity in payment before and continuing after the member's deferred period starts)
 - drawdown
 - withdrawal of uncrystallised funds pension lumps sums (but only that portion treated as income for tax purposes)

Other benefits

These are any payments that the claimant receives due to their incapacity from any of the following:

- a group or individual insurance policy giving rise to income benefits as a result of illness, injury or disablement
- a mortgage protection policy
- a loan or credit protection arrangement (including credit and store cards)
- an insurance premium waiver

We normally ignore the other benefits described above if the payment period is less than 2 years, however payments will not be ignored in the following circumstances:

- the payment period is limited only because the claimant is less than 2 years from their cease age agreed on that policy
- the total of other income, other benefits and the basic benefit would exceed the claimants earnings immediately before their incapacity starts

Notes

We will not ignore salary or other payments from an employer.

Reduced benefit payments if a salary sacrifice continues

An individual who is absent from work due to sickness or disability may have their benefits reduced if they do not cease or amend an agreed salary sacrifice in respect of pension scheme contributions.

Any reduction may affect both basic benefit and pension scheme contributions.

Lump sum payments

Only one lump sum is payable

The payment will be restricted so that it does not exceed the monthly basic benefit multiplied by the number of complete months from the end of the limited claim period to the earliest of:

- the claimants cease age
- when the claimants contract of employment expires

It will also be reduced if:

- the benefits being paid have been restricted as a result of our medical underwriting process or if that process has not been completed
- part of the total benefit has been declined, postponed or an exclusion has been applied, which has caused the basic benefit paid to be restricted

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Restricted occupations

Irrespective of the agreed definition of incapacity, see information '[Income Protection Benefit Options](#)', we will only insure certain occupations on a suited occupation basis.

- Licensed occupations
Where a member has to hold a license or certificate that is dependent on them being certified as medically, physically or mentally fit to be able to perform their normal occupation. Examples include:
 - LGV drivers
 - PSV drivers
 - Aircraft pilots
- Other occupations
These include, but are not limited to:
 - Merchant navy personnel,
 - Aircrew
 - DealersFor this purpose a dealer is someone who places orders to buy or sell securities, options or futures, or instruments creating or acknowledging indebtedness or contracts of difference.



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

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