

# Flexible Protection Plan

## Business Protection Combined Life and Critical Illness Cover

### Product Profile

In this document we outline the relevant product information about LV= Business Protection Combined Life and Critical Illness cover, required for distributors. We set out the product's

- Distribution strategy.
- Target market and intended value.
- Product description and main features.
- Risks and what's not covered.
- Additional benefits and features.
- Other benefits.

For full details of the terms and conditions of the policy, please refer to the policy conditions.

Details of the governance processes we use to oversee the design, approval and review of our products, how we monitor and assess fair value, and the outcome of our assessments is in our [Product Governance and Fair Value Outcomes](#) document which is on [LVadviser.com](https://www.lvadviser.com).

### Distribution

This product must only be sold on an advised basis (either in person or over the phone). This is to ensure your clients receive the right level of protection and to reduce the risk of their claim being declined due to non-disclosure, or them being over or under insured.

Advice for this product is vital because of the complexity of setting up the policy to help protect the business and its key people and the taxation of the policy. Without the support of financial advice there is a risk that our customer may take out cover that is not suitable for their needs.

**It's important to regularly review your client's circumstances and protection needs to make sure their cover is appropriate.**

### Target market

#### Characteristics of the target market

This product is designed for clients who immediately before application are:

- business owners that permanently live in the UK
- want business protection
- aged between 17 and 64 years of age (for level and decreasing cover)
- aged between 17 and 59 years of age (for inflation-linked cover)
- want to help safeguard the financial future of their business by providing a one-off lump sum payment in the event that a business owner or key person dies, or were diagnosed with a specified critical illness.

**The person insured by this policy must meet these requirements, whether this is your client or someone they are insuring.**



## Key Person Cover, Shareholder and Partnership Protection

This product would provide intended value and is suitable for customers who	This product would not provide intended value and is not suitable for customers who
<ul style="list-style-type: none"> <li>✓ own or manage a small to medium-sized business..</li> <li>✓ want a lump sum payment if the person insured dies or is diagnosed with a specified critical illness during the policy term.</li> <li>✓ want to protect the ownership of their business in the event that one of the business owners dies or is diagnosed with a specified critical illness, when set up as Shareholder or Partnership Protection.</li> <li>✓ want to protect their business from loss of profit or clear any debts if a business owner, director, salesperson or any employee with specialist skills or expertise dies or is diagnosed with a specified critical illness, when set up as Key Person Cover.</li> <li>✓ want the person insured's children to be covered for critical illness cover from birth to age 23</li> <li>✓ do not need cover after they reach age 80 (for level and decreasing cover) and age 70 (for inflation linked cover).</li> <li>✓ only need cover for a fixed term, between five and 50 years.</li> <li>✓ want the policy written on an own life or life of another basis for the purposes of Shareholder or Partnership Protection and understand a suitable double or cross option arrangement needs to be in place, which facilitates the sale of the person insured's share to the other business owners.</li> <li>✓ wants to set up the policy in the appropriate trust with trustees.</li> </ul>	<ul style="list-style-type: none"> <li>✗ want the option to cash in the cover for a refund.</li> <li>✗ are looking for personal protection or are not a business owner as this product is designed for business use only.</li> <li>✗ are looking to cover a regular benefit for the employee if the person insured is unable to work for a period of time due to illness or injury.</li> <li>✗ want to provide death in service benefits for employees, as there are more suitable products available for this purpose.</li> <li>✗ want to be covered for any illness they are diagnosed with, rather than a specified list of conditions.</li> <li>✗ do not obtain financial advice from a suitably qualified person.</li> <li>✗ are business owners of a business not registered in the UK.</li> <li>✗ want to protect their business income or profit, on a monthly basis, should the person insured be unable to work due to accident or sickness.</li> <li>✗ want cover for the whole of the life insured's lifetime.</li> <li>✗ no longer owns the business or the business ceases to trade.</li> </ul>

## Product Description

Business Protection Combined Life and Critical Illness Cover is aimed at small and medium-sized businesses (SMEs) to help safeguard their financial future by providing a one-off lump sum payment in the event that the business owner or key person dies or is diagnosed with a specified critical illness.

Business Protection Combined Life and Critical Illness Cover is designed to cover three key elements where business owners are likely to need cover – ownership, profit, and debt. It's important to understand the setup of the client's business, who the owners are and the risks they face to help identify and justify the need for Business Protection and the basis for the policy.

The different types of Business Protection are **Key Person Cover**, **Share and Partnership Protection**.

### Key Person Cover

A key person could be the business owner, director, salesperson or any employee with specialist skills or expertise. Losing a key person can be disastrous for the long-term survival of a business and the proceeds from a policy can give the business a cash injection, either used to protect profits or clear debt to help trading continue.

For Limited Companies, Limited Liability Partnerships, Public Limited Companies and other trading entities that have a distinct legal identity the policy would normally be set up on a life of another basis, with the company taking out the policy and insuring the relevant key person. For sole traders and Partnerships the policy is on an own life or life of another basis dependent on whether the relevant key person is an employee or not (see table below for further details).

The setup of the policy depends on who is being insured, and the business type as explained below:

Business Type	Policy written on life of employee		Policy written on life of business owner	
	Own life or Life of another	In Trust Y/N	Own life or Life of another	In Trust Y/N
Sole Trader	Life of another	No – sole trader is the policy owner	Own Life	Yes – for family of the business owner
Partnership	Life of another	Yes – in trust for the business partners	Own Life	Yes – in trust for the business partners
Limited Company, or Limited Liability Partnership (LLP)	Life of another	No – Limited Company or LLP is the policy owner	Life of another	No – Limited Company or LLP is the policy owner

Key Person Cover is not suitable to protect ownership of the business. If a business wants to protect profit and debt, two separate policies would need to be set up to cover each element.

## Share and Partnership Protection

The policy provides the owners of a business with a lump sum to buy the affected individual's share of the business in the event of them dying, being diagnosed with a terminal illness or if they're diagnosed with a specified critical illness, helping the business owners retain full control and ensure the affected individual's family's estate receives fair settlement.

The business owners can choose whether the policy is written on an own life or life of another basis. However, life of another is usually only suitable where there are just two owners and doesn't provide any flexibility for future business changes.

Regardless of whether the policy is written on an own life or life of another basis, a suitable double or cross option arrangement needs to be in place which facilitates the sale of the affected individual's share to the other business owners. As critical illness cover is included a suitable single option agreement should also be in place to allow a shareholder to sell their share to their fellow shareholders if they're diagnosed with a specified critical illness.

**This is based on our understanding of current legislation, which of course may change in the future.**

## Main Product features

Pays a lump sum on death or diagnosis of a specified critical illness listed in our policy conditions during the term of the policy.

The critical illnesses we specify are split into different types:

- **Full payment conditions**, where we pay the full amount of cover in the event of a claim, these form the majority of conditions listed in the policy conditions.
- **Enhanced claim payments**, where we will pay twice the amount of cover up to a maximum of £200,000. There are 17 conditions highlighted in the policy conditions for which enhanced claim payments apply.
- **Additional payment conditions**, where we pay 50% of the amount of cover up to a maximum of £30,000, but the cover continues in full.

The business owners can choose whether the policy is written on an own life or life of another basis. See the table for the different set up options available.

Your clients have the option to take out the cover as level, decreasing or inflation linked, and the premiums are guaranteed.

- **Decreasing cover**, pays a lump sum that decreases in a similar way to the debt owed on a capital and interest repayment mortgage or loan.
- **Level cover**, pays out a fixed lump sum at any point during the term of the policy.
- **Inflation linked cover**, the amount of cover goes up each year in line with the Retail Prices Index (RPI) to keep up with inflation.

The minimum term is five years, and the maximum term is 50 years, and the policy must end before the person insured reaches the age of 80 for decreasing and level cover and 70 for inflation linked cover.

## Children's Critical Illness cover

Business Protection Combined Life and Enhanced Critical Illness Cover automatically includes standard children's cover (at no added cost) for the person insured's children, for all of our critical illnesses except Total permanent disability and Diabetes mellitus type 1. It covers the person insured's children from birth until their 23rd birthday. Children's cover pays out on diagnosis of a critical illness and there is no survival period required for children.

If the person insured's child dies during the term of the policy we will pay £5,000 towards the cost of their funeral. This is in addition to any payment made for a claim on one of the listed children's critical illness conditions.

## Total permanent disability (TPD)

This can be included for an additional cost at outset. Advice is needed to explain that this product will cover the person insured if an illness or injury leaves them unable to do the main aspects of their normal occupation and they are never expected to be able to do them again. Please see the Business Protection Combined Life and Enhanced Critical Illness policy terms and conditions for full details on the definition we use.

## Waiver of Premium

Your client can add Waiver of Premium when they take out their policy, or once it is in place, this will cover the person insured. This will be a separate policy and an additional cost. For more details, refer to the Waiver of Premium Product Profile and Waiver of Premium terms and conditions.

## What we need to validate a claim

When making a death claim on this policy, the person making the claim will need to send us the original death certificate (not a photocopy). When making a critical illness claim on this policy, we'll need evidence from the doctor (or the medical practitioner) who is treating the life insured confirming that they've been diagnosed with a critical illness. We may also need to get medical reports from their doctor, if we do, we'll send a consent form to complete.

We don't know exactly what evidence we'll need until a claim is made, as all claims are looked at individually. If we need any further information from them, we'll write to them to explain what we need and why we need it.

If the policy has been written into trust, it is the trustees who will need to make the claim, and they will also need to provide a copy of the trust deed, as well as any associated documents or deeds that record any changes to the original trust deed.

## Risks

- There is no cash in value at any time, so your client cannot get their money back (unless they cancel their policy within the first 30 days of it starting).
- Your client will not be covered if they stop paying their premiums.
- If your client chooses level cover, it won't keep up with inflation and could buy less in the future.
- If your client chooses inflation linked cover the amount of cover will rise by the increase in the Retail Prices Index (RPI) and the premiums by RPI x 1.5.
- If the government changes the tax treatment of protection products like Business Protection Combined Life and Enhanced Critical Illness, the amount of cover paid out on a claim, taxation of premiums or claim payments, or the premium payable for cover could change.
- If your client has taken this policy out to cover a loan or a mortgage, it is not guaranteed to pay off all of the outstanding balance in the event of a claim. Most commercial mortgages don't decrease in the same way as a personal mortgage which our policy has been designed to cover, so this option may not be suitable for them.
- If anyone named in (or involved in the sale of) the policy commits fraud, deliberate misrepresents, withholds information, or provides us with false information at any point during the lifetime of the policy we may refuse to pay a claim and cancel the policy. We will not refund any of the premiums paid.
- To make a claim for critical illness, the person insured must survive for at least 14 days after being diagnosed (this doesn't apply to claims for children's cover).

## What's not covered

- The person insured is only covered for the critical illness conditions and definitions detailed in the policy conditions, and no others. For example some types of cancer are not covered, and for some conditions only more severe cases are covered.
- We won't pay a claim if the person insured dies as a result of intentionally taking their own life in the first 12 months of the policy.
- We won't pay the costs of returning home if the person insured dies or is diagnosed with a specified critical illness while abroad.
- We won't pay a terminal illness or critical illness claim if the person insured is diagnosed anywhere in the world outside of the places listed in the policy conditions.
- We won't pay a claim for anything listed as exclusions on the policy schedule.
- If we pay out a lump sum payment before the end date, the policy will end unless it was for an additional payment condition, or for children's cover.
- Children of the person insured will no longer be covered if we pay a claim under children's cover for a full payment condition.

## Additional Benefits and Features

The product offers the following additional bespoke features as standard and at no added cost (conditions apply), for example:

### Cost of diagnosis of cancer

If your client's condition and treatment meet the criteria for any of the cancers covered by this policy (and are not listed as an exclusion in their policy schedule) we'll pay them £1,000 when we receive evidence of their cancer diagnosis. This payment doesn't reduce the amount of cover. This payment also applies to the person insured's child. See the policy conditions for details.

### Guaranteed Increase Options

Your client can increase the amount of the cover and in some cases replace their policy with a new policy without answering any further health questions, if certain events happen and they are eligible. If your client changes the amount of their cover using one of these options, their premium will also change to reflect this and will be based on the age and smoker status of the person insured at the time of change. In all cases these options can only be used within six months of the event occurring. For more details, refer to the policy conditions.

The events covered by guaranteed increase options are increases in:

- shareholding value or partnership share
- key person's value
- net taxable earnings for the person we're insuring
- a business loan

Please see the Business Protection Combined Life and Enhanced Critical Illness policy conditions for more details of all additional features, eligibility and limits.

### Costs

The policy premium also includes a fee, which is a fixed monthly amount, to cover administration and support costs.

## Other benefits

### LV= Business Care

Your client (the policy owner) will have access to LV= Business Care which offers free practical advice on business legal advice, tax, and VAT advice.

### LV= Membership

By taking out this product your client (the policy owner) will agree to become a member of Liverpool Victoria Financial Services Limited (LV=). As LV= is a mutual we are owned by our members, which means our members have a say on how the company is run. Our members also get access to a range of LV= benefits. To see the full range, and any conditions that may apply, visit [LV.com/benefits](https://lv.com/benefits)

### LV= Doctor Services

The person insured, their spouse or partner and their children have access to a number of medical services and advice. These include virtual GP consultations, prescription, second opinion services, remote physiotherapy, remote psychological services, and discounted health MOTs. These benefits are noncontractual and can be changed or removed at any time (conditions apply). For more details visit [LV.com/doctorservices](https://lv.com/doctorservices)

LV= membership benefits and LV= Doctor Services are non-contractual and can be changed or removed at any time.

**LV= Doctor Services is provided by Square Health Limited. This service is not regulated by the Financial Conduct Authority or Prudential Regulation Authority.**

To find out more about the LV= Flexible Protection Plan, please contact your LV= Account Manager on



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