

# 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 target market, distribution strategy, main features, limits, suitability, risks, options and costs, and the outcome of our fair value assessment.

For full details of the terms and conditions of the policy, please refer to the Business Protection Combined Life and Critical Illness policy conditions.

### Target market

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 cash payment in the event that the business owner or key person dies or is diagnosed with a critical illness.

Business Protection targets three key elements - 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, sales person 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.

The client can choose whether the policy is written on an own life or life of another basis, with the exception for Limited Liability Partnerships or Limited Companies. For these types of business structures, they should be set up on a life of another basis, with the company taking out a policy and insuring their shareholder/partner or key person.

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

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
<b>Sole Trader</b>	Life of another	No – sole trader is policy owner	Own Life	Yes – for family of business owner
<b>Partnership</b>	Life of another	Yes – in trust for partners	Own Life	Yes – in trust for partners
<b>Limited Company, or Limited Liability Partnership (LLP)</b>	Life of another	No – Limited Company or LLP is the policy owner	Life of another	No - Limited Company or LLP is the policy owner



## Shareholder 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 or being diagnosed with a critical illness, helping the surviving owners retain full control and ensure the deceased 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 deceased's share to the surviving 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 critical illness.

## Distribution

To ensure your clients receive the right level of protection and to help ensure the policy is set up to meet the needs of the business, we believe this product should be sold on an advised basis, face to face or over the phone.

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

## Main features

- Pays a cash lump sum on death, or diagnosis of a specified critical illness, during the term .
- Covers 87\* conditions including 49 full payment, 38 additional payment conditions and 16 definitions providing wider coverage than the standard ABI definitions.
- Enhanced claim benefits for 17 conditions .
- Children's critical illness cover automatically included, at no added cost.
- Level, increasing or decreasing cover .
- Guaranteed premiums.
- Option to include Total Permanent Disability as a critical illness.

\*20 of these conditions are covered under 1 additional payment condition - 'Less advanced cancers'

## What is not covered

- Your client is only covered for the conditions and definitions listed in the policy conditions and no others.
- This product also provides cover for less severe conditions, these are called additional payments. If a claim is paid for an additional payment, the client's full amount of cover remains in place. We'll only pay one claim for each additional payment condition covered under the policy.
- When a claim is paid for a full payment condition or if your client were to die, the policy will end.
- We won't pay a claim if your client dies as a result of intentionally taking their own life in the first 12 months of the policy.
- This policy is not suitable for clients who want to protect their income should they be unable to work due to accident and sickness.

## Risks

- There is no cash in value at any time.
- To make a claim, the person insured must survive for at least 14 days after being diagnosed (this doesn't apply to claims for children's cover).
- If your client stops paying their premiums, their cover may cease.
- If your clients choose level cover, it won't keep up with inflation and could buy less in the future.

## Limits and basis

- The minimum term is 5 years and maximum term 50 years. The policy must end before the person insured reaches the age of 80 (for level and decreasing cover) and 70 (for inflation-linked cover). If your client is insuring someone else, they must meet these requirements.
- Clients can choose to take out a policy on an own life (written into trust) or life of another basis for either someone crucial to the firm's profits, or one or more business owners.

## Eligibility

To apply, the client must be:

- Permanently living in the UK.
- Aged between 17 and 64 (for level and decreasing cover).
- Aged between 17 and 59 (for inflation-linked cover).

## Fair value assessment

We have assessed our Business Protection Combined Life and Critical Illness cover, including options and additional benefits, as providing fair value for customers within the target market, for whom the product is suitable.

We will regularly assess the product to ensure that it continues to provide fair value and meets with the requirements of the intended target market.

## What we take account of when assessing fair value

When assessing fair value, we look at:

- the target market, its needs and objectives
- the expected proportion of vulnerable customers in the target market
- the product's benefits and limitations, and what services we provide
- the distributors/channels we use
- the expected overall premium
- how much it costs to provide the product and distribute it over a reasonably foreseeable period.
- the relationship between the overall price to our customers and the quality of the product and service provided.

## What information do we use to assess fair value?

- The proportion of premiums that go towards providing the amount of cover.
- How long our claims process takes from start to finish.
- What percentage of claims we pay out and if not, why not. Information of claims stats can be found here [LVadviser.com/supporting-you/claims](https://www.lvadviser.com/supporting-you/claims)
- How many complaints there are and the proportion we uphold.

## Other considerations

We consider the levels of commission we pay and, where we are able to access the details, how much distributors charge their customers for the services they provide.

Distributors will need to consider the impact of any other costs they charge when undertaking their own fair value assessments.

## LV= Business Protection Combined Life and Critical Illness Cover is not suitable, and does not provide fair value for

- Those looking for personal protection.
- Those wanting to provide death in service benefits for employees.
- Those looking to cover a regular benefit if the person insured is unable to work for a period of time due to accident or sickness.

## Options and additional benefits

### Children's Critical Illness Cover:

Is automatically included at no added cost for your client's children for all of the listed critical illnesses (with the exception of Total permanent disability and Diabetes mellitus type 1) from birth until their 23rd birthday. Children's cover pays out on diagnosis of a critical illness; there is no survival period required for children. If their child dies during the term of the policy we will pay £5,000 towards the cost of their funeral in addition to any payment made for a claim on one of the listed children's critical illness conditions.

### Additional Payments:

This product also provides cover for 38\*\* less severe conditions where we'll pay an amount equal to the lower of 50% of cover or £30,000. If a claim is paid for an additional payment, your clients full amount of cover remains in place. For more details, refer to the Policy Terms and Conditions.

\*\*20 conditions are covered under 1 additional payment condition – 'Less advanced cancers'.

### Enhanced Payments:

These are conditions where we will pay twice the amount of cover. The maximum payment your client can receive on top of their amount of cover is limited to £200,000.

- For ten of our full payment conditions, if the cause of your client's claim was as a direct result of an accident.
- For four of our full payment conditions if your client is under 55 years of age at the time they are diagnosed with the illness or condition.
- If your client has a major organ transplant, liver failure or severe lung disease that meets our definition for one of these full payment conditions.

### 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. We'll just need a copy of the diagnosis letter from their consultant showing the histological classification of the cancer and details of your proposed treatment. Receiving this payment doesn't guarantee we'll go on to pay your client's claim under a full payment condition or an additional payment condition as the person insured's final diagnosis and actual treatment may not meet the definition of the condition they're claiming for. This payment doesn't reduce the amount of cover. This payment also applies to the person insured's child.

### Total Permanent Disability:

Can be included, at an additional cost at outset as a critical illness condition. There are two types of cover; own occupation or work tasks, and the type we offer will depend on your client's occupation. Own occupation will cover your client if as a result of sickness or accident they are left unable to do the main aspects of their normal occupation and are never expected to be able to do so again. Work tasks will cover your client if as a result of sickness or accident they are left unable to carry out 3 of 6 specified work related tasks and are never expected to be able to do so again. For more details, refer to the Policy Terms and Conditions.

## Guaranteed Increase Options

Your client can increase the amount of the cover for their employee, 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. The premium will be based on the age and smoker status of the employee at the time of change. For more details, refer to the Policy Terms and Conditions.

## Benefits of being an LV= member

By taking out this product the policyholders 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](http://LV.com/benefits).

Please note the life insured is not eligible for membership, and won't get access to the full range of LV= benefits.

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

## LV= Business Care

For all new policies (from 1 October 2015), we offer the policyholder (the business) telephone access to free specialist advice in business and commercial law, business tax and VAT. Provided at no added cost, these services are non-contractual and can be changed or removed at any time, and conditions apply. More details about LV= Business Care are available at [LV.com](http://LV.com).

## LV= Doctor Services

For all new policies (from 1 September 2018), the person insured and their spouse/partner (providing they live at the same address) has access to a number of app-based medical services and advice. These include 24/7 Remote GP, Prescription Services, Second Opinion Services, Remote physiotherapy \*(x5), Remote Psychological Services \*(x5) and Discounted Health MOTs. These benefits are non-contractual and can be changed or removed at any time, and conditions apply. For more details visit [LV.com/benefits](http://LV.com/benefits).

\* These services are capped at 5 sessions and are shared between the insured employee and their spouse/partner.

**LV= Doctor Services, LV= Business Care and Rehab support services are provided by third party companies. These services are not regulated by the Financial Conduct Authority or the Prudential Regulation Authority.**

## Costs

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

To find out more, please contact your LV= Account Manager on



0800 678 1890



Or visit [LVadviser.com](http://LVadviser.com)

If you'd like us to send you this document or any future correspondence in another format, such as Braille or large print, please just let us know.

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