

Adviser guide

Executive Income Protection

For UK financial advisers only



Executive Income Protection

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What is Executive Income Protection?

LV= Executive Income Protection is designed for small to medium businesses to cover the cost of providing regular monthly sick pay benefits to a key employee.

The policy is arranged and paid for by the employer, who becomes the policy owner, and the employee is the person insured.

If the employee has an illness or injury and is unable to work, the employer can make a claim. Once the claim is verified, the policy benefits are paid to the employer who then pays them to the employee in the same way as their salary, to fund the employee's ongoing sick pay.

The policy can also be used to cover employer pension scheme contributions and employer National Insurance Contributions.

Executive Income Protection is available with level cover or inflation-linked cover, and there are budget options selected at outset where the claim period is limited to 12 or 24 months.

What is the opportunity?

LV= Executive Income Protection is designed for small to medium businesses wanting to provide their employees with sick pay benefits as part of their employee benefits package.

Smaller businesses are invariably built around the talents of a very small number of owners and key people. Any small business owner will want to retain key employees and support them during an illness, and this product enables the business to do this in a tax efficient manner.

You probably already have clients in the potential target market. They could be senior employees running the business, or vital for generating sales, or even those with key technical skills difficult to replace. Either way these are valuable key employees who are essential to the running of their business.

5.7 million

private sector business
in the UK

99%

employ less than
50 people

75%

employ no-one else apart
from the owner(s)

Source: Dept for Business, Energy & Industrial Strategy: Business population estimates for the UK and regions 2025.

More information can be found here [LVadviser.com/ExecIP](https://www.lvadviser.com/ExecIP)

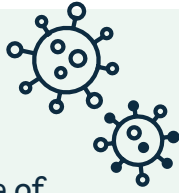
Covering sick pay arrangements

If the employee falls ill or suffers an injury which keeps them off work for a lengthy period, their income may fall or stop altogether and the financial plans for the future of the business may well be impacted.

148.9 million

working days were lost because of sickness or injury in 2024.

Source: ONS: Sickness absence in the UK labour market: 2023 and 2024



An increasing number of small businesses are realising the advantages of employee benefits such as an enhanced sick pay scheme for their employees. The monthly payments from an LV= Executive Income Protection plan following a valid claim could therefore prove invaluable in funding that commitment.

The business can fund the employee's ongoing sick pay, and the employee knows they don't have to fall back on savings or state benefits.

Covering employer National Insurance Contributions and employer pension scheme contributions

As an additional option and cost, the employer can choose to insure their employer National Insurance contributions subject to an overall upper limit of £42,500 a year, and also their employer pension scheme contributions subject to an overall upper limit of £40,000 a year. Please refer to the policy conditions for more detail on the maximum cover limits.

Group Income Protection schemes

A business may not have enough staff to take out a group income protection scheme or may not be able to afford the cost of a group scheme. LV= Executive Income Protection enables even businesses with just one or two employees to pay for their employee sick pay arrangements through the business.

Even if a group sick pay scheme is provided to the employees but the employer would like to provide a separate bespoke sickness benefit to a key employee, the specific employee could be removed from the main scheme and offered Executive Income Protection instead. This would allow the employer the opportunity to increase the level of cover or offer sick pay for a longer term to that individual. However there are overall limits to income protection payments and you as their financial adviser can help to ensure employees are not over-insured.

60%
of SME's

say offering health and wellbeing benefits to staff boosts productivity at work

Source: ABI April 2021.

Who can take out Executive Income Protection?

The cover is set up on a life of another basis with the employer as the policy owner, and the employee as the person insured.

To apply, the policy owner must be a business registered and permanently based in the UK.

The business must be a separate legal entity to the person insured for tax purposes and therefore this type of plan is not suitable for sole traders or the self-employed.

The person insured (the employee) must be an employee of the policy owner's business. They must earn a taxable income from that employer and have been resident in the UK and registered with a UK GP continuously for at least 2 years prior to the application.

The employee must be working for the business at the time. You can't set up a policy for an employee who is on a career break.

How much cover can you set up?

We will cover up to 80% of the insured person's combined earnings (salary, overtime, bonuses, P11D benefits and dividends). We can also include dividends payable to the employee's spouse or civil partner by the policy owner during the same period which would stop in the event of their incapacity. As described in the table below, this is subject to overall limits that differ between level and index-linked cover.

Executive Income Protection and Relevant Life Cover

Executive Income Protection doesn't pay out a death benefit, so if the business wants to provide death in service cover for its employees, it will also need to consider taking out Relevant Life Cover.

With LV=, the employer can offer a competitive employee benefit package to attract and retain skilled staff; Executive Income Protection if their key employee is unable to work due to incapacity caused by illness or injury, and Relevant Life Cover if the employee dies whilst employed by the business.

The two plans could work well together as they provide tax efficient solutions and peace of mind for both the business and the employee.

You can find more information about LV= Relevant Life Cover at [LVadviser.com/business-protection](https://www.lvadviser.com/business-protection)

How does Executive Income Protection work?

Employer insures employee

Executive Income Protection is available to employees including salaried directors. The business will usually be a Limited Company or Limited Liability Partnership, but other types of business can take it out, provided it is a separate legal entity, and legally able to own an insurance policy.



Employee sick pay is covered

The employee's earned income can include annual salary, overtime, bonuses, P11D benefits, dividends and dividends payable to the employee's spouse or by the policyholder during the same period which would stop in the event of their incapacity.



Employee suffers an illness or injury and is unable to work

The business makes a claim and, once verified, the policy begins monthly benefit payments to the employer. The employer deducts from the benefit any cover that is for employer's National Insurance Contributions and pension contributions, then pays the remainder to the employee via PAYE (so income tax and employee NICs are deducted as they would be from salary).



Rehabilitation service starts

Our rehab support services can help support the employee as soon as they're unable to work. That means we can offer support from day one to aid their recovery before their symptoms get worse, and to give them a structured return to work programme including assessments and reviews.



Claim payments cease

Payments will cease when the employee returns to work, at the end of the policy term or when the claim period ends (12 or 24-months on Budget Executive Income Protection), or if the employee dies, whichever occurs first. Claims payments will also cease if the employee leaves employment during the claim period.

What flexibility is offered under the policy?

The employee becomes ill again

It's quite possible that the employee could suffer a recurrence of their illness or injury after they return to work. Where this happens within 6 months of them returning to work we can re-start payments straight away, provided their occupation hasn't changed and it's the same illness or injury.

If it's for a different condition, or happens after 6 months, then we'll treat this as a new claim, and the waiting period will then apply. If Budget Executive Income Protection has been chosen payment will stop once the chosen claim limit is reached.

The employee goes back to work on a lower salary or less hours

In some cases the employee may return to work and not be able to do the same job or the same amount of hours as they were capable of before their illness or injury. If this happens, we'll pay a proportion of the original monthly payment, depending on the number of hours they're working now or their new salary, compared to before they became unable to work originally. Please refer to the Policy Conditions for more detail.

The employee leaves their current employer

People often change jobs and if this happens, provided we are not paying a claim at the time, it's possible to transfer the Executive Income Protection policy to a new eligible employer who then takes over the premium payments. This option must be taken up within 90 days of the employee leaving their employment and further conditions apply, so please refer to the Policy Conditions for more detail.

The employee wants to take career break or sabbatical

With the employer's approval, the employee may choose to take an extended career break to study or work abroad for up to 12 months. If so, we'll keep their policy open and will suspend the cover and premiums for the period of the break, meaning it won't be possible to make a claim during that period. When they do return to work for the employer, we won't require a new application or medical evidence to restart the policy, provided they are returning to the same occupation. For full details please refer to the Policy Conditions.

The employee's salary increases or National Insurance or pension contribution rules change: Guaranteed Increase Options

The employer can increase cover by up to a maximum of £10,000 a year (£833 a month) if the employee's salary increases or, if the additional optional cover is included, employer National Insurance Contribution rates increase or if there is an increase in the employer's pension scheme contributions. The increase must be requested within 3 months of the event, and overall limits apply both to the policy (please refer to the Policy Conditions) and to HMRC rules (please refer to a tax specialist for the latest position).

For more information on Executive Income Protection visit [LVadviser.com/ExecIP](https://www.lvadviser.com/ExecIP)

Comparing Personal and Executive Income Protection

Although both types of cover are similar in that they pay a monthly amount if the person insured is unable to work due to illness or injury, there are a number of differences in the set up and benefit payments.

	Executive Income Protection	Personal Income Protection
Policy owner	Employer	Employee (Personal Income Protection is not suitable to be owned by the employer)
Person Insured	Employee	Employee
Max cover	Up to 80% of earned income	Up to 60% of earned income
Optional additional cover (selected at outset)	Employer NI contributions up to a maximum of £42,500 a year	N/A
	Employer pension scheme contributions up to an overall maximum of £40,000 a year	N/A
Cover limits	Level - £25,000 a month	Level - £20,833 a month
	Index linked - £18,750 a month	Index linked - £14,583 a month
What income is covered?	Salary/commission/regular bonuses / Dividends/ spousal dividends / P11D benefits.	Salary / Dividends / spousal dividends P11D benefits in kind
	Employer's National Insurance/company pension scheme contributions can be added as optional extra cover	
Tax position of premiums	The policy premiums will normally be tax deductible for the employer/business and are not classed as a benefit in kind (P11D) for the employee.	Policy premiums are usually paid by the employee themselves from taxed income. If the employer chooses to pay premiums on their behalf, this will be treated as a P11D benefit for the employee.
Who receives the benefit?	Employer	Employee
Tax position of benefits	On claim the benefit is paid to the employer and is treated as trading income for corporation tax purposes.	On claim the benefit is paid to the person insured directly and is not taxable under current tax laws.
	The employer passes the benefit on to the life insured through PAYE which is treated as a trading expense.	
Claim payment period	The duration of a valid claim or the policy term (12 or 24-months under the Budget version)	The duration of a valid claim or the policy term (12 or 24-months under the Budget version)
Waiting periods	1, 2, 3, 6, or 12 months can be selected at outset Split waiting periods available.	1, 2, 3, 6, or 12 months can be selected at outset Split waiting periods available.

Executive Income Protection and Personal Income Protection

Case study

Jo is a 35 year old employed company director of a limited company specialising in IT

She earns £100,000 per year through her company, doesn't smoke and has a clean bill of health. The business contributes £10,000 a year to Jo's pension.

Her adviser has recommended a 3 month deferred period and cover until Jo expects to retire at 65.

If Jo takes out personal Income Protection she can cover 60% of her earnings, paid for out of her own post-tax income. If she makes a valid claim, the monthly payments are free of tax under current legislation.

With Executive Income Protection Jo's business can cover 80% of her income, including salary, overtime, bonuses and dividends. The business pays the premiums which are usually tax deductible, and can also cover employer pension contributions and employer National Insurance Contributions.



Benefits for Jo under Personal and Executive Income Protection	Personal Income Protection	Executive Income Protection
Jo's annual taxable earnings	£100,000	£100,000
Maximum annual cover	£60,000	£80,000
Maximum monthly cover	£5,000	£6,666
Optional additional monthly cover for employer's NICs	N/A	£937
Optional additional monthly cover for employer's pension contributions	N/A	£833
Total monthly benefit that can be covered	£5,000	£8,436
Monthly net benefit for Jo on claim	£5,000	£4,746*

* net monthly amount after income tax (at 40%) and assumes employee's NICs (class 1) deducted from £6,666.67.

Cost savings for Jo's business with Executive Income Protection	Personal Income Protection	Executive Income Protection
Monthly Premium*	£67.73	£110.85
Employee NICs (class1)	£2.33	N/A
Employee income tax (40%)	£46.71	N/A
Employer NICs	N/A	£17.52
Gross amount required by Jo to pay IP premium	£116.77	N/A
Total gross cost for the business	N/A	£134.29
Less corporation tax relief (19%)	N/A	£25.51
Tax adjusted cost for the business of Executive IP premium	N/A	£108.77
Monthly saving by setting up Executive IP	£18.98 (7%)	

* premiums based on Jo's details and are correct as at February 2026.

If Jo does become ill or suffers an accident and is unable to work long-term, the outcomes could be very different between personal Income Protection and Executive Income Protection:

Under Personal Income Protection

- Jo would receive £5,000 a month free of tax
- personal pension contributions are limited to £3,600 a year
- at age 65 her pension fund may be lower than she would like.

Under Executive Income Protection:

- Jo would receive £4,746 a month, but her employer NICs and £10,000 a year pension contributions have continued
- her personal pension contributions are only limited by the Annual Allowance (currently £40,000 a year)
- she is therefore effectively protected both pre and post retirement.

Service and support

Support for your Business Protection cases

Business Protection Team

All cases you send to us are important, but we understand Business Protection requires specialist support. So we'll offer you our dedicated team of underwriters for each submitted LV= Business Protection case. The team will:

- Offer pre-sales support, meaning right at the start of the sales process you can clarify any questions you or your business client may have. This can significantly speed up the application and ensure they are covered quickly.
- Action each piece of evidence as and when it arrives, and as the Protection Progress Hub is updated every 15 minutes you can see the current status instantly and any time of the day or night.
- Go that extra mile to make sure your business client gets the cover they need, as quickly as possible. For example, if the employee/person insured needs to see a medical professional but can't take time off work to see their usual GP, we could send a nurse to visit them at their home.

Technical support

Writing Business Protection policies can be complicated, but our experienced team can talk you through the application process, advising you on the best way to write the cover and which legal documents can support you along the way.

Webinars and sales training

Our webinar training can help you expand your business, network and find new opportunities. You can also use our interactive tools and calculators to work out the amount of cover your client needs.



Everyday added value benefits for employer and employee

For the employer

Once the employer takes out an Executive Income Protection policy with us, they'll have access to LV= Business Care, our free business advice service. LV= Business Care consists of legal advice, and tax and VAT advice for your small business clients.

Business legal advice line

We've partnered with a firm of solicitors to offer business clients free business legal advice. This service offers advice on a number of commercial issues, including;

- Employment law.
- Health and safety issues.
- Commercial risks.
- Advice on contracts.

Business tax and VAT advice line

Our value added services also provide access to tax and VAT experts, including accountants and ex HMRC employees, covering areas such as;

- Tax and VAT relief.
- Self-assessment returns.
- Change to tax and VAT rules.
- Dividends paid from limited companies.

Personal legal advice line

Our free Legal Advice Line is run by a team of legal advisers who can talk to you about your rights and how to deal with various legal situations. Your client can access advice on a number of areas including general law, property related issues, wills and probate, and family law.

The helplines are available as soon as the policy starts. The services available via these helplines are provided by third party companies. These services are not regulated by the Financial Conduct Authority or the Prudential Regulation Authority.

When the employer takes out a protection policy with us they also agree to become a member of LV=. Being a member means they'll have access to a range of member benefits designed for them, their family and their life. It's our way of saying thank you for choosing us.

All the member benefits can be found at [LVadviser.com/supporting-your-client/member-benefits](https://www.lvadviser.com/supporting-your-client/member-benefits).

We review the benefits from time-to-time so they may change or be removed in the future.

To help show how our advice lines could be used, here are two examples of how your business client might use both the legal, and tax advice lines.

Business legal advice example

– based on a small business without a dedicated human resource department.



Rachel (Business Owner) and Adam (Cafe Manager)

Rachel runs a large cafe bistro with 10 employees including a cafe manager called Adam. One of the younger female members of the team complains to Rachel about Adam regarding his constant use of offensive language towards her.

Scenario 1 – Rachel calls the LV= Business Care line and is put through to an employment law specialist.

- Rachel carries out an investigation and suspends Adam for the duration.
- She conducts interviews and records the evidence.
- She has a disciplinary meeting with Adam to discuss the evidence.
- Adam's rights were not infringed. This led to a smooth dismissal.

Scenario 2 – Rachel doesn't seek legal advice and fires Adam.

- No investigation is made or the correct procedures followed.
- Adam takes the business to a tribunal for unfair dismissal.
- The tribunal decides in favour of Adam and is awarded damages of £12,000.

Tax and VAT example

– based on a company looking to sell their products in France and are unsure about the way in which VAT should be paid and accounted for.



Smith Textiles Ltd

Smith Textiles Ltd enter negotiations to start selling their high end window covers to a company in France. This is the first time they are dispatching any of their products outside of the UK and are unsure about the way in which VAT should be paid and accounted for.

Scenario 1 – Smith Textiles Ltd contact the LV= Business Care helpline and speak to a qualified VAT specialist.

- The VAT specialist confirms the VAT rules for selling goods to other EU countries.
- They also confirm how this should be recorded on the VAT return and other reporting requirements.
- Smith Textiles Ltd are confident to proceed with selling abroad.

Scenario 2 – Smith Textiles Ltd don't contact the LV= Business Care helpline.

- Smith Textiles Ltd don't feel confident selling abroad.
- They pay extra for a new accountant with specialist knowledge.

For the employee

LV= Doctor Services

Once the employer has taken out Executive Income Protection with us, the person insured/employee and their spouse/partner can use LV= Doctor Services. This provides fast, convenient access to UK based doctors and medical specialists through six expert medical services:

- Unlimited use of Remote GP 24/7
- Second Opinion
- Prescription Services
- Remote Physiotherapy*
- Remote Psychological Services*
- Discount Health MOTs

* up to five free session a year shared between the person insured and their spouse/partner.

The six services are provided by our partner, Square Health and accessed via one simple app or phone call. This helps the person insured and their spouse/partner keep their own health in check whatever their medical concern and wherever they are – at home, at work, or away on holiday.

LV= Doctor Services is a non-contractual benefit and can be changed or removed at any time. LV= Doctors Services is provided by Square Health Limited. This service is not regulated by the Financial Conduct Authority or the Prudential Regulation Authority.



Why choose LV= for Executive Income Protection?

LV= is an award-winning and market leading Income Protection provider with a range of solutions. Our experienced team are here to support you and your business portfolio; whether it's answering technical questions, pre-sales advice or marketing ideas and support.

Providing tax efficiencies for the employer and employee

The premiums under Executive Income Protection are usually classed as a tax-deductible expense for the employer, provided they are wholly and exclusively for the purpose of running the business. It can therefore be more tax efficient than personal Income Protection cover for the employee.

The monthly benefit is paid to the employer via PAYE, and will therefore not be classed as a P11D benefit in kind.

Offering a high maximum benefit

We'll cover up to 80% of the employee's earnings at outset up to a maximum amount of £300,000 a year for level cover and £225,000 a year for inflation-linked cover. Plus the employer can choose to add cover to protect their employer National Insurance Contributions and employer pension scheme contributions.

Own occupation definition

We will pay on a valid claim if the employee is unable to do the main tasks of their normal occupation because of illness or injury. By main tasks we mean the things which can't reasonably be left out of their role, by the employee or by the employer.

Cover continuity for the employee

If the employee leaves employment with the employer/ policyholder, our continuation option allows the employer to transfer the policy to another eligible employer within 90 days of the employee leaving employment. This gives the employee the flexibility to keep their valuable protection in place if they move to a new employer or decide to become self-employed.

Valuable everyday benefits for the employer and employee

- The business benefits from free business legal, tax and VAT advice helplines.
- They also benefit from a Legal Advice Line with access to general legal advice on a range of issues.
- The insured person and their family benefit from LV= Doctor Services on taking out any protection policy with LV=.

Expert sales support for you

- A dedicated large case team to provide the sales support and advice to help you get started and tackle those trickier cases.
- Dedicated Business Protection underwriters – each application will be treated with the highest priority.
- Online tools and easy-to-understand client literature to support your recommendation.
- Our online quote and apply system provides instant decisions from our pre-underwriting tool, as well as partially underwritten quotes.
- Once you've submitted a case online to us you can track progress online using our Protection Progress Hub.

Please note:

all tax information within this document is based on our understanding of current legislation and HMRC practice, which can change in the future. Information correct as at April 2026. The employer should check the tax position with their accountant and their local HMRC tax office.

Examples shared, including names and images, are for illustration purposes only and not real customers.

To find out more contact your LV= Account Manager or visit



[LVadviser.com/ExecIP](https://www.lvadviser.com/ExecIP)

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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