

# FPP Executive Income Protection and Executive Budget Income Protection

## Product Profile

In this document we outline the relevant product information about LV= Executive Income Protection, 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 policy conditions.

### Target market

The LV= Executive Income Protection product is designed for small businesses based in the UK to cover the cost of providing regular monthly sickness benefits to a key employee/s and associated costs. The benefits provided are designed to be used to help fund ongoing sick pay and other costs should their employee (the person insured) become ill or injured and unable to work. It must be arranged by, owned by, and paid for by the employer. The relationship between the policy owner and the person insured must be that of employer and employee.

This product is primarily aimed at clients whose employee is in a lower risk job, such as office workers, or those in professional occupations (such as accountants) who wish to provide sickness benefits for these employees based on their earned income.

Executive Income Protection is set up on a life of another basis with the business as the owner, with an insurable interest in the person being insured. For example, if the person insured is unable to work the policy owner could see an impact financially in the turnover of their business.

The product offers a choice of waiting periods to reflect the financial needs and circumstances of the business.

The product covers up to 80% of the person insured's gross income if they're unable to work due to illness or injury. The maximum monthly benefit is based on earnings immediately before becoming incapacitated and can include dividends that the person insured, and their spouse or civil partner, may receive as a result of the person insured's contribution to the business which would cease in the event of their incapacity and inability to work.

An employer will have the option when they apply to also help cover the cost of funding the Employer's pension contributions and Employer's National Insurance Contributions they will need to pay, based on certain limits, and will be included in the total amount of cover.

We offer two versions of our Executive Income Protection; Full and Executive Budget Income Protection.

Under Full Executive Income Protection, the person insured will be covered until they're able to return to work, or the policy ends (whichever is soonest).

The policy owner can make as many claims as they need to during the policy term. If the claim is for the same illness or injury and within 6 months of the person insured returning to work, we may be able to start Executive Income Protection payments again straight away, without having to wait for their waiting period. If the person insured is unable to work because of a different reason, we will treat it as a new claim and the policy owner will need to wait for their waiting period to end before the payments start.

Our Executive Budget Income Protection is aimed at those clients looking for a lower premium, but whose business protection needs can still be met with a limited benefit payment period.

Executive Budget Income Protection works in exactly the same way as our Full Executive Income Protection with just one difference; there is a choice of either 12 months or 24 months, this is called the claim limit in our Policy Conditions Document. We'll only pay the policy owner for a maximum of 12 or 24 months for a single claim (depending on the option chosen when the policy starts).

As with our Full Executive Income Protection, with Executive Budget Income Protection the policy owner can make multiple claims if they need to.

If the claim is for the same illness or injury and within 6 months of the person insured returning to work, we may be able to start Executive Income Protection payments again straight away, without having to wait for the waiting period as long as they haven't reached their particular claim limit. If the person insured is unable to work because of a different reason, we will treat it as a new claim and the policy owner will need to wait for their waiting period to end before the payments start.

### Distribution

To ensure the policy owner receives the right level of protection and to reduce the risk of the policy not paying out due to non-disclosure, we believe this product should only be sold on an advised basis, either face to face or over the phone.

It's important to regularly review the policy owner's circumstances and protection needs to make sure their cover is appropriate and they are not paying for cover that they can't claim on.

### Main features

- Pays a regular benefit to the policy owner in the event the person insured is unable to work because of accident or sickness.
- Own occupation definition of disability.
- Benefits paid until return to work, the policy ends or the person insured dies, whichever is the earlier. For Budget Executive Income Protection benefits are limited to a maximum of 12 or 24 months per claim (depending on the option chosen).
- Level or inflation-linked cover.
- Guaranteed premiums.
- Waiver of Premium option.



## What is not covered

- This policy doesn't cover the person insured being unable to work for any other reason apart from sickness or an accident (for example unemployment, bereavement, a normal pregnancy, or because of restricted access to work as a result of a lockdown, quarantine or periods of mandatory or precautionary isolation).
- We won't pay a claim if the person insured becomes unemployed or is made redundant.
- The policy won't pay out if the person insured is ill but continues to work (whether this is paid work or voluntary work).
- We'll stop paying a claim if the person insured stops following their doctor's advice, or if they refuse any reasonable medical treatment.
- We won't pay a claim for any illness or injury we've told the policy owner we have excluded before their policy starts.
- We won't pay the costs of returning home if the person insured is abroad, for example if they need special medical assistance or special seating arrangements on a plane.
- We won't pay out in the event of the death of the person insured.

## Limits and basis

- The minimum term is 5 years. The policy must end before the insured person reaches the age of 70.
- An employer must take the policy out on a life of another basis with the business as the policy owner and the employee as the person insured.
- Employers can insure up to 80% of the employee's earnings, up to a maximum cover amount of £300,000 a year for level cover and £225,000 a year for inflation linked cover.
- When they apply the employer can choose to include an amount to cover the Employer's pension contributions in their policy. We will provide further cover, subject to certain limits and up to a maximum of £40,000, to help fund the cost of pension contributions that the client's company must continue to make to an approved registered pension on behalf of the person insured.
- When they apply the employer can choose to include an amount up to £42,500, to help cover the Employer's National Insurance Contributions (NICs) that their company will need to make, based on the amount of cover paid to the person insured via Pay as You Earn (PAYE) as salary.
- A choice of waiting periods – 1, 2, 3, 6 or 12 months, or split waiting period options to suit the needs of the business.
- Any claim lasts until the earlier of; the person insured returns to work, the policy ends, their claim payment period has been reached (if Executive Budget Income protection has been chosen), they leave the employment of the policy owner or they die.
- Under Executive Budget Income Protection, the maximum claim period per claim is 12 or 24 months (depending on the option chosen).

## Eligibility

To apply the policy owner must be:

- a business registered in the UK.
- permanently based in the UK.
- must be legally capable of owning an insurance policy, and must be a separate entity from the person insured for tax purposes.

The person insured must be, immediately before application:

- An employee of the company owning the policy.
- A UK resident for at least the last 2 years.
- Registered with a UK doctor for at least 2 years.
- aged between 17 and 59.

## Risks

- There is no cash in value at any time.
- If your client stops paying their premiums, their cover may cease.
- If your client chooses level cover, it won't keep up with inflation and could buy less in the future.
- Benefits paid at claim may reduce any state benefits the person insured might be entitled to.
- Inflation linked cover – the amount of cover will rise by the increase in the Retail Prices Index (RPI) and premiums by  $RPI \times 1.5$ .
- The premiums paid by the employer for Executive Income Protection will only usually qualify as a business expense where the employee doesn't have a financial interest in the business and the premiums are used 'wholly and exclusively' for the purposes of protecting the business. However this is not guaranteed and it's advisable the employer checks this with their accountant and their local HMRC office.
- Tax treatment of the premiums paid and the benefits paid to the employer may change in the future.

## Fair value assessment

We have assessed our FPP Executive Income Protection 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](http://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= Executive Income Protection

This table shows you who the product is designed to meet the demands and needs of, and provides fair value for. It also shows who it is not designed for, and doesn't provide fair value for.

This product is suitable for	This product is not suitable for
<ul style="list-style-type: none"> <li>✓ Employers where the business, as the policy owner, is a separate legal entity to the employee/person insured for tax purposes.</li> <li>✓ Employers who are looking to fund ongoing salary paid to an employee (the person insured) if that employee is unable to work due to illness or injury.</li> <li>✓ Employers looking to protect up to 80% of the person insured's gross income (assessed at point of claim).</li> <li>✓ Employers looking for the additional option to protect the cost of funding on going pension contributions for the person insured.</li> <li>✓ Employers looking for the additional option to protect the cost of the employer's National Insurance Contribution that will be due when the benefit is passed to the person insured.</li> <li>✓ Those whose need for cover expires before the person insured reaches age 70 as this is the maximum age at which the policy can end.</li> <li>✓ Employers who need cover for at least 5 years, as this is the minimum term for this policy.</li> <li>✓ Employers who have employees where state benefits alone would not provide a suitable level of replacement income for them. Or for employees who wouldn't qualify for state benefits, or wouldn't want to rely on them for replacement income.</li> <li>✓ Employers whose employee has an occupation covered by the policy.</li> <li>✓ Employers where a waiting period of 1, 2, 3, 6 or 12 months would be appropriate for their needs, (for some occupations 1 and 2 month waiting periods are not available).</li> <li>✓ Employers who are insuring someone else, where insurable interest exists as an employee.</li> <li>✓ For Executive Budget Income Protection employers where affordability is an issue but are comfortable and willing to accept a limited protection period for a single claim.</li> <li>✓ Employers that are looking to ensure the amount of cover keeps up with any increases in the person insured's cost of living.</li> </ul>	<ul style="list-style-type: none"> <li>✗ Employers where the business is set up as a sole trader or they are self-employed.</li> <li>✗ Employees who already have sufficient other forms of accident and sickness insurance in place that pay a monthly benefit if unable to work due to accident or sickness. For example, mortgage protection, insurance or credit card protection that mean additional protection against loss of income is not needed. This is because we deduct amounts equal to the payments from other insurances that the person insured has when we pay their claim.</li> <li>✗ Employers looking to protect their employee against unemployment, as this policy only protects for loss of income if the person insured is unable to work because of illness or injury.</li> <li>✗ Employers whose employee will, can, or is prepared to rely on state benefit payments to provide income replacement.</li> <li>✗ Those looking to protect their business if the person insured suffers a terminal, critical illness or dies with a lump sum payout.</li> <li>✗ If the person insured is ill but continues to work (whether this is paid work or voluntary work).</li> <li>✗ If the person insured leaves employment with their current employer and does not make use of the continuation option.</li> </ul>

### Options and additional benefits

The following features are included as standard within the product, and at no added cost. Terms and conditions apply. For more details, refer to the Policy Conditions.

### Rehabilitation Support service

We want to help the employee with their recovery and return to work and can sometimes offer access to specialist services, even during the policy waiting period. For example: physiotherapy, counselling or other specialist treatment, rehabilitation services or financial support. The maximum we can pay for each claim might be capped at three month's benefit. If your client makes a claim our team will look at the person insured's situation to see if there is anything they can do to help – all services offered are at our discretion.

### Guaranteed Increase Options

The employer can increase the amount of their cover and in some cases replace their policy with a new policy without their employee having to answer any further health or lifestyle questions, if certain events happen and they are eligible. If the employer changes the amount of their cover using one of the options below, their premium will also change to reflect this. The premium will be based on the age and smoker status of the person insured at the time of change.

The employer can increase their cover for each of these life events:

- The person insured's basic salary increases by more than 10%.
- A change in the legislation governing employer's National Insurance Contributions.
- A change in legislation governing pension contributions.

For more details and general limits, refer to the Policy Conditions.

### Benefits of being an LV= member

By taking out this product the employer (the policyholder) 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://www.lv.com/benefits).

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

### LV= Doctor Services

The person insured (the employee), 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 non-contractual and can be changed or removed at any time, and conditions apply. For more details, visit [LV.com/benefits](https://www.lv.com/benefits).

### LV Business Care

Your client will have access to LV= Business Care which offers free practical advice in an easy-to-understand way. This includes business legal advice and tax and VAT advice. This is a non-contractual benefit, which means it can be removed or altered at any time.

### Waiver of Premium

Your client can add Waiver of Premium when they take out their policy, or once it is in place. We set this up as a separate policy and at an additional cost. For more details, refer to the Waiver of Premium Product Profile and Waiver of Premium Policy Conditions.

### Costs

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

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

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



0800 678 1890



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

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