



STAY ON TOP OF EVERYTHING

A Guide to Executive Income Protection
for Key Employees/Owner Directors

Executive Income Protection for Key Employees/Owner Directors



INTRODUCING ROYAL LONDON

Ever since we started as a Friendly Society over 150 years ago, at Royal London we've believed that our difference is our strength. Today, we're the UK and Ireland's largest mutual life and pensions company. Whoever you are and whatever your aims, we'll look to provide you with great long-term value, first class service and support at all times.

KEY INFORMATION

The purpose of Executive Income Protection Cover is to enable you to provide your employees with a regular income if they are unable to work due to illness or injury for a certain period of time and suffer a loss of earnings as a result.

Your employee must be totally unable to perform the essential duties of their normal occupation and not be engaging in any other occupation. Executive Income Protection is designed solely to provide protection benefits and there is no surrender value payable at any stage under the policy.

At the time of a claim, your employee's earnings must be at or above the level that justifies the amount of cover you have chosen. If not, a reduced benefit is payable. In this case, Royal London will not refund any part of the payments you have made. Full details relating to the maximum amount of income protection benefit that will be paid if you make a claim are contained in the Policy Conditions booklet.

Under current legislation, the benefit payments will be made gross to you the employer, as owner of the product. You deduct the relevant tax, PRSI and Universal Social Charge (USC) amounts under the PAYE system, before paying the benefit to the employee.

This brochure is designed as a quick reference to the main features of your Executive Income Protection policy. It should be read in conjunction with the Policy Conditions booklet which contains full details of the Benefits provided and the Terms and Conditions which apply.

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SO, WHAT EXACTLY IS IT?

Executive Income Protection from Royal London is designed to provide employees, whether they are owner-directors or valued members of staff, with an income if they are unable to work due to illness or injury.

How long could your business afford to pay an employee an income while they are on sick leave?

How it works:

Executive Income Protection is owned by the employer and taken out on behalf of employees, who must work more than 16 hours a week. The premiums are paid by the employer and these premiums should qualify as a tax deductible expense for the business. This can make it a very efficient way to protect employees' salaries.

If the employee is unable to work due to illness or injury, then an income protection benefit will be paid to the employer, who could use it to continue to pay the employee a salary.

Payments continue either until the employee is well enough to return to work, or their policy ends.

Advantages for employers:

- Protects a significant proportion of selected employees', including Directors', income
- The cost of sick-leave can be effectively managed
- Employee loyalty can be enhanced
- The cost of employer pension contributions can also be covered
- The policy premiums can qualify as a deductible business expense for tax purposes

Advantages for employees:

- If they're unable to work because of an illness or injury, additional financial worries may ease as a significant proportion of their income may be paid
- If unable to return to work, their income protection benefit continues until they reach the expiry age set out in the policy
- The cost of the policy is fully paid by their employer
- Helping Hand service offering one-to-one support from an independent, qualified nurse advisor helping them cope with their situation. See page 18 for more information.

CHOOSING THE COVER

The amount of income protected

You can cover up to 75% of your employee's earnings, less any State Illness Benefit entitlement, up to a maximum of €250,000.

When choosing the level of income protection benefit you want to provide, you should also consider any other insurance plans they may have that provide cover for accident, illness or injury. Otherwise you could be paying for more income protection benefit than it's possible to claim.

These limits apply so that the benefit provided during sick leave is not higher than your employee's normal earned income and they have an incentive to return to work.

The State Illness Benefit is administered by the Department of Social Protection and is subject to qualifying conditions. For more information visit www.welfare.ie

Your Financial Broker is best placed to advise you on the level of cover that best suits your business needs and circumstances.

Example:

ABC Ltd has an Executive Income Protection policy for Ted. He earns €100,000 a year and is eligible for the State Illness Benefit, currently up to €193 a week.

The maximum cover amount ABC Ltd can put in place for Ted is 75% of his income, ($€100,000 \times 75\%$) less his state benefit of €10,036 ($€193 \times 52$); €64,964.

Cover employer contributions to the employee's approved pension scheme

The maximum amount of employer pension contributions you can protect is 35% of earnings, up to a maximum of €50,000.



How long cover should last

When taking out the policy, you choose the expiry age that best suits your business. This is when your employee's cover will end and you can select any age between 55 and 70.

Many people will choose an expiry age to coincide with the standard retirement age of their employee. And, as the age of retirement is increasing, we offer **expiry ages up to age 70**.

Please talk to your Financial Broker to make sure this age applies to your business as certain occupations have lower expiry ages.

When you want the income protection benefit to start

There is an amount of time your employee has to be off work continuously, due to illness or injury, before their income protection benefit starts being paid. This is called the **Deferred Period**. You can choose a Deferred Period of 4, 8, 13, 26 or 52 weeks.

This period is sometimes based on the amount of time you are willing or can afford to keep paying a salary to an employee on sick-leave. This way, as soon as that amount of time passes, your employee's income protection benefit from Royal London would start.

The length of Deferred Period you choose will impact the cost of the policy, as the longer the Deferred Period, the lower the monthly premium.

Example:

BA Ltd has an Executive Income Protection policy for Mary. They selected one Deferred Period of 4 weeks.

Mary goes on sick leave from work.

Once 4 weeks pass, the income protection benefit from BA Ltd's Executive Income Protection policy starts to be paid.

For additional flexibility, you can choose two Deferred Periods within the policy. So, for example, you could provide a certain amount of income protection benefit after a shorter Deferred Period. And then, after a longer Deferred Period, provide a higher income protection benefit amount. This may be useful if you can provide sick pay for a short amount of time or to help reduce the overall cost of cover.

We recommend discussing your options with your Financial Broker to ensure you choose the best Deferred Period(s) to suit your business.

Indexation to help protect the cover from the effects of inflation

Inflation impacts the general cost of living, as it means the price of goods and services increase over time. By adding Indexation to the policy, your employee's cover increases by 3% each year, in return for a 3.5% increase in your premiums each year.

In the event of a valid claim, the income protection benefit will continue to increase by 3% each year while the claim is being paid. This helps offset the negative effects of inflation.



Indexation helps maintain the purchasing power of the income protection benefit.

ADDITIONAL FEATURES

Hospital Cash Benefit

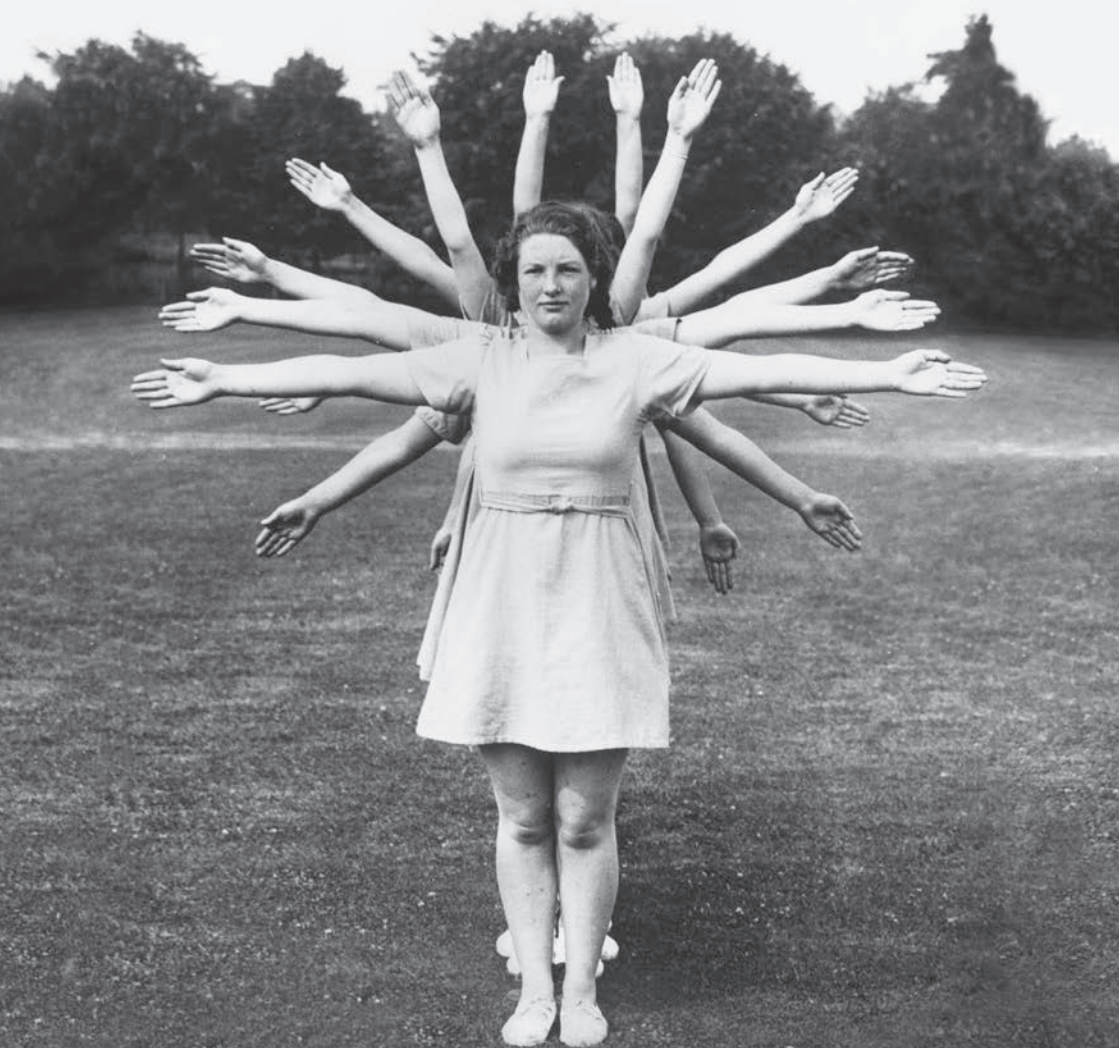
Benefit payable when your employee is hospitalised for over a week.

If your employee is admitted to hospital, a daily income is payable for every day they spend in hospital after day 7. This benefit is payable during the Deferred Period only and will continue for a maximum of 90 days for any one hospital stay.

The benefit must be claimed within 6 months of the date of hospitalisation. A benefit limit of 365 days in total applies for the duration of the policy.

Example:

Joan was admitted to hospital and was an in-patient for 15 days. The Hospital Cash Benefit was payable for 8 days of her hospital stay.



Proportionate Payment

A partial benefit may be payable if your employee returns to work on reduced earnings.

We want to help your employee get back to work, even in a limited capacity. So, if as a result of their illness or injury, your employee is only able to return to your business part-time or has to take an alternative role with a lower income, they may be eligible for a proportional payment to help make up for some of those lost earnings.

Example:

Jack works 40 hours a week and earns €50,000 per annum. Jack's employer, XZY Ltd, has an Executive Income Protection policy with Royal London protecting €30,000 p.a. of Jack's salary, with an expiry age of 65.

Following a car accident, Jack was unable to work. While off work, after the end of the Deferred Period, the Income Protection benefit commenced.

After 10 months, Jack's doctor advised he could return to work, but only on a part-time basis. His part-time earnings would only be €12,500 p.a., and so his income has reduced by 75% from his pre disability income.

The proportional payment is calculated based on this 75% reduction in earnings, and so a gross benefit amount of €22,500 p.a. ($€30,000 \times 75\%$) will be paid from the policy. The benefit is paid gross to XYZ Ltd, and they will deduct the relevant tax, PRSI and USC amounts before it is paid to Jack.

Payments will continue either until Jack's health improves sufficiently that he can return to full-time work or he reaches age 65.

Back to Work Benefit

Gives your employee financial support on their return to full-time work following a long-term claim.

We want to help your employees get back to work. We also understand that returning to work after a long period of time can be an adjustment. While they may be happy to be back working, it can take time to return to a working routine.

To help with this financially we will pay 75% of your employee's monthly income protection benefit for their first month back in work, 50% in month 2 and 25% in month 3.

The benefit is payable if your employee returns to full time work having been in receipt of income protection benefit for at least 1 year.

The Back to Work benefit may be claimed only once during the policy and it is not payable where immediately prior to returning to full-time work they have been in receipt of a proportionate payment.

Example:

John was on sick leave from work for 18 months. During that time, after the end of the policy's Deferred Period, a gross benefit amount of €2,250 was paid each month from the Executive Income Protection policy.

When John was fit to return to work, the first month back, a gross amount of €1,687.50 ($€2,250 \times 75\%$) was paid from the policy.

The second month back at work a gross amount of €1,125 ($€2,250 \times 50\%$) was paid. On his third month back at work a final gross payment of €562.50 ($€2,250 \times 25\%$) was made.

Linked Claims Benefit

Restarts claim payments if your employee relapses after returning to work following a claim.

If within six months of returning to work following a claim your employee has to stop working again, for the same reason the original claim was based on, you will not have to wait a Deferred Period to start receiving the income protection benefit.

If you have chosen two Deferred Periods on the policy, the income protection benefit payable, following a linked claim, will be the benefit amount payable prior to your employee returning to work. Although, any changes in your employee's earnings may affect the maximum amount of income protection benefit that is payable.

Where this benefit amount is based on the first deferred period, then the higher benefit amount payable from the end of the second deferred period will start when the amount of time your employee is off work due to the original claim, when combined with the amount of time off work due to the linked claim, is equal to the second deferred period.

Example:

Mark's employer has an Executive income protection benefit protecting €18,000 p.a. of Mark's salary. The policy has two Deferred Periods with a benefit of €6,000 p.a. (€500 gross per month) payable after 13 weeks and the remaining €12,000 p.a. (€1,000 gross per month) per annum payable after 52 weeks.

Following a claim, a benefit of €500 gross per month was paid from week 13 of Mark's illness. Mark returned to work following a total of 37 weeks sick leave. After being back in work five months, Mark suffered a relapse and was unable to continue working.

Royal London were notified and provided with the relevant medical information confirming that John was unable to work for the same reasons as the original claim.

The income protection benefit of €500 gross per month started to become payable again immediately. After 15 weeks, the income protection benefit amount of €1,000 gross per month became payable (original 37 weeks plus 15 weeks = 52 weeks).

Essential Activities Benefit

Provides lower cover during career breaks, excluding unemployment.

We understand that people's circumstances can change over time. So, if your employee decides to take a career break or change to working on a part-time basis (less than 16 hours a week), they will not be covered under the income protection benefit. However, they will continue to be covered for the Essential Activities Benefit. This is payable if they are unable to carry out certain personal activities, e.g. walking, as defined in the Policy Conditions. The benefit amount is the lower of €15,000 a year and the income protection benefit amount.

If notified of the change in your employee's circumstances, the policy premiums will be reduced during this time to reflect any reduction to their full cover.

If the employee returns to work within 12 months of the policy switching to our Essential Activities Benefit, you can reinstate their full cover without having to provide any new medical evidence.

In the event your employee becomes unemployed, cover under the policy will end.

Guaranteed Insurability Option

Allows you to increase cover as income grows.

As your employee moves through their career their income is likely to increase with their experience. To allow their Income Protection cover to reflect this, you can increase it by up to 20% of the original cover amount every three years, without any new medical evidence being required.

This option is available to you until you decide not to use it on two consecutive occasions. The maximum total increase during your policy is 100% of the initial cover amount, subject to maximum cover limits.

It is important to note that, before increasing the cover you should consult your Financial Broker, to make sure any increases are within the maximum cover limits payable on your policy. Royal London may request evidence of earnings to justify that any increase is within the maximum cover limits.

Example:

Company B has an Executive Income Protection policy on behalf of Ben, with cover of €50,000 per annum. Three years after taking out the policy, Company B decides to increase the cover amount provided by 20%. On the 6th and 9th anniversary of taking out the policy, they again decide to increase cover by 20%. Each time, the cover amount provided for Ben increases, the premiums paid by Company B also go up to reflect the change.

Original cover	€50,000
Top up in year 3	20% of €50,000 =€10,000
Cover amount from year 3	€60,000
Top up in year 6	20% of €50,000 (original cover amount)=€10,000
Cover amount from year 6	€70,000
Top up in year 9	20% of €50,000 =€10,000
Cover amount from year 9	€80,000



Premium Related Features

Your premiums may qualify as a tax-deductible business expense.

The gross premium is payable to Royal London and the tax relief must be claimed from Revenue. It is your responsibility to claim tax relief.

The tax treatment will depend on your individual circumstances. If you are unsure of any aspect of the tax treatment of premiums or benefits, please contact your Financial Broker for more information.

Waiver of premiums

Where an income protection benefit is being paid, you will not have to pay the premium related to that benefit. This is called a **waiver of premiums**.

If you choose two Deferred Periods on the policy, you will need to pay premiums for any benefit that is not in payment. Premiums also remain payable during any period while a Hospital Cash Benefit or Back to Work benefit is being paid.

Example:

Tom has a car accident and goes on sick leave from work. Following his selected Deferred Period on his employer's policy, the income protection benefit starts being paid.

While the income protection benefit is being paid, his employer does not need to pay any monthly premium payments to Royal London on Tom's policy. But, if Tom is well enough to return to work in the future, the premiums will resume until he reaches his selected expiry age.

Premiums are fixed

The premium, unless you choose Indexation, is guaranteed to stay the same throughout the policy, as long as the chosen benefits remain the same.

However, the Government levy of 1% (as at March 2017) which is included in your premium may change in the future.

Changing jobs

If your employee changes roles within your business, their Executive Income Protection policy will continue to protect them, regardless of their new job.

Terminal Illness Cover

If you claim due to your employee having a Terminal Illness and they have been diagnosed with less than 12 months to live, the income protection benefit payments will start immediately.

A ROYAL LONDON POLICY

As soon as you take out a policy with Royal London, your employee can use our Helping Hand service if they need to.

Helping Hand service

Offers one-to-one personal support from an independent, qualified nurse advisor.

Helping Hand is provided through our partners **RedArc** who can help you and your family cope with the devastating effects that illness or bereavement can have.

With 20 years experience, RedArc has earned a reputation for service excellence, supporting individuals and their families through serious illness, chronic health conditions, bereavement and disabilities.

Whilst your medical team focus on your treatment, RedArc helps by providing ‘softer’ skills – a friendly listening ear, practical information, and much needed emotional support both for you and your family. (When we say ‘family’ we mean the spouse or partner of the Royal London Life assured and their children.)

Helping Hand may also arrange specialist therapy to help speed up recovery, if appropriate.

- Bereavement counsellors *or*
- Speech and language therapists *or*
- Face-to-face second medical opinion *or*
- Complementary therapies *or*
- Massage *or*
- Physiotherapy for serious health conditions

These ancillary specialist therapies are only provided if recommended by your employee’s personal nurse advisor and only for a limited time.

A claim does not need to be made for your employee to use Helping Hand. We make the service available to them, their spouse or partner and their children as soon as the policy starts.

Helping Hand is provided at no additional cost to you.

Helping Hand is an additional service offered with all new Royal London policies. The service can be removed or amended at any time.



OCCUPATIONAL INFORMATION

The purpose of Executive Income Protection is to provide an income if your employee is unable to work because of an illness or injury.

Royal London assess an employee's ability to work based on their normal job and whether they can carry out the essential duties it requires. In insurance terms, this is called '**own occupation**' cover.

Because of this, the availability and cost of Executive Income Protection cover is directly related to your employee's job or occupation.

Some occupations are considered to be a higher risk than others. For example, an accountant will generally pay a lower premium for the same level of cover compared to a builder. This is simply because the builder has a higher chance of suffering an accident at work compared to an accountant. Due to the degree of occupational risk involved, there are some occupations that will not be accepted by us for Executive Income Protection cover.

There are four different occupational classes for cover. The lowest risk occupations have the lowest premiums while higher risk occupations have higher premiums. This is based on a standard risk assessment across occupations.



Although there are some exceptions for certain occupations, the four broad categories available are;

Occupational class 1	Professional, managerial occupations, administration, clerical jobs
Occupational class 2	Occupations involving occasional manual work
Occupational class 3	Skilled manual occupations
Occupational class 4	Partly skilled and unskilled manual occupations

Please ask your Financial Broker for more information regarding these categories and to find out the occupation class that would apply to your policy.



OUR CLAIMS PHILOSOPHY

We try to make it as easy as possible to make a claim because we don't want you to have to deal with unnecessary procedures.

We aim to treat people the way we'd like to be treated ourselves and use the experienced resources of our parent company to simplify our claims process. If you have to make a claim on your Executive Income Protection policy, you will be assigned a dedicated claims assessor to assess and manage your individual claim. We will always be available to help with any queries you have and will aim to keep you up to date with how your claim is going.

How the claim process works

The first step in the making a claim is to let us know immediately about any change in situation for your employees, either by contacting us directly or through your Financial Broker.

We will then issue a claim form, which you must complete and return to us before we can consider a claim.

On the claim form, it will ask you questions about your employee's illness or injury and their occupation and income. It will also ask about any other types of income or entitlements they may have, including any other insurance policies.

Please ensure that you return the completed claim form as early as possible to ensure we can start your payments as soon as the deferred period ends.

In addition to the claim form we will also ask for information and documentation that we reasonably require to assess the claim. Full details of the information we may require are contained in the policy conditions. We will pay the cost of all reports or evidence requested by us except the cost of obtaining at any time medical certificates from the doctor who has treated or examined your employee in respect of the disability.

In general, when we receive your claim, your employee's ability to carry out their normal job following an illness or injury will be assessed. Claims are reviewed to ensure they meet the definition of disability – in basic terms, the inability to work because of illness or injury – as shown in the policy conditions.

Once accepted, we will pay you a monthly income for your employee following the end of the policy's Deferred Period. Payments will continue until they are well enough to return to work, or they reach the policy expiry age.



The maximum benefit payable is calculated based on your employee's current earnings, up to a maximum of €250,000 per annum. This is determined as 75% of their current earnings, less any other income, including any State Benefits or other insurance policies that provide cover for illness or injury.

If the executive income protection benefit is higher than this maximum benefit then the benefit payable will be reduced to reflect this. In this case, Royal London will not refund any portion of the premium payments you have made.

***An increased payment may be available in respect of an adult dependant or child dependant if certain conditions are met. For more information visit www.welfare.ie**

Example:

Tony is an employee of Company Z and before getting sick, earned €60,000 a year.

Here is an example of the calculation that is likely to happen at claims stage for Tony:

	Per month	Per annum
Maximum income calculation while sick: 75% of annual salary of €60,000 p.a.	€3,750	€45,000
Less sick pay from employer	-€1,000	-€12,000
Less State Illness Benefit*	-€836.33	-€10,036
Maximum Income Protection benefit payable	€1,913.67	€22,964

Company Z's Executive Income Protection benefit for Tony is for €20,000 per annum (€1,667 per month). At claim stage his monthly benefit of €1,667 is lower than the maximum income protection benefit payable of €1,913.67. Therefore the full benefit would be payable from the policy.

However, let's look at an example where Tony has too much cover in place. Let's say Tony's policy had cover of €30,000 per annum (€2,500 per month). This is higher than the maximum income protection benefit payable of €1,913.67 and would put his payments in illness considerably above 75% of his earnings before he was ill. In this case his gross income protection benefit would be limited to €1,913.67 per month.

As this example shows, it's very important to get Financial Broker advice as to what is the right amount of cover for your employee and to ensure that you are paying for the right amount. You should also review your benefits from time to time to ensure they are at the right level.

Your employee's income protection benefit is taxed the same way as their normal income. So, income tax, PRSI, USC and government levies need to be considered. Benefit payments are made gross to the employer who is then expected to deduct the relevant tax, PRSI and Universal Social Charge amounts under the PAYE system, before paying the benefit to the employee.

WANT TO KNOW MORE?

If you have a question about Income Protection then you can contact your Financial Broker. They can provide you with any additional information you need. See details below.

For information on other Royal London plans visit our website **royallondon.ie**

Financial Broker Stamp:



www.royallondon.ie





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This brochure is a marketing guide to Royal London's Executive Income Protection cover. Its purpose is to provide a general overview and guidance on the benefits of a Royal London Executive Income Protection policy, including details of our Helping Hand service.

This brochure is for illustration purposes only and does not form any part of any contract between us. For further details of the cover and the exclusions provided under Executive Income Protection cover, please see our Key Features Document and the Policy Conditions booklet. If you take out a policy, your application, the policy conditions booklet and the policy schedule will set out your contract with us. We strongly recommend that you consult with your Financial Broker before taking out the policy as this brochure is provided without any liability or responsibility on our part.

The information contained in this brochure is based on Royal London's understanding of current law and Revenue practice as at April 2017 which may change in the future.

Feedback on the content and clarity of this booklet is very welcome. Please email feedback@royallondon.ie

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