

Group Life Assurance

A Guide for Employers



Group Life Assurance

What is Group Life Assurance?

A Group Life Assurance is an arrangement set up by an employer to provide benefits to an employee's family and dependants in the event of their death. The full cost of the benefit is usually met by the employer and the benefits are usually paid out tax free.

Who can be covered?

All employees, and in some cases equity partners, can be covered under this type of arrangement so long as they are aged under 75.

When setting up this type of arrangement, you will need to define who you want to be covered. This could be, for example, all employees aged between 16 and 65 or it could be limited to a certain section of the workforce such as managers or those on a certain employment grade.

It is important that any definitions used in this respect clearly outline who is to be covered; there cannot be any element of discretion as to who is and isn't covered. Also, the criteria must not be discriminatory. From an age point of view, there are special provisions in place which mean that an upper age limit can be imposed so long as this is no sooner than age 65 or the State Pension Age, if later.

Benefits for employers

Competitive pricing – usually a low cost benefit to provide but highly valued by employees.

Premiums usually allowable as a business expense.

Can help to recruit and retain staff.

Benefits for employees

Provides security that family will be protected if they die.

Benefits usually paid tax free.

Many providers offer additional services for the family such as bereavement counselling.

What benefits can it provide?

Most commonly this type of arrangement will provide a lump sum benefit in the event of an employee's death. This can be insured as either a flat rate lump sum (e.g. £50,000 for all employees) but more commonly this is insured as a multiple of salary (for example, 4 x basic annual salary).

In addition to a lump sum, it is also possible to insure a regular income which will be payable to a spouse, partner or dependant of the deceased. This type of benefit is less common with most companies insuring a lump sum benefit only.

How do you set up a Group Life Assurance Scheme?

This type of scheme benefits from certain tax exemptions and as such must be established in a certain way. This means that it must be set up under a formal trust and trustees should be appointed. Trustees can either be an entity (such as the employer) or selected individuals. The scheme must also be registered with HMRC.

The requirements on trustees of this type of arrangement are fairly minimal – the main duty of the trustee will be to make a decision regarding who to pay the benefits to in the event of a claim. However, it is possible to avoid these duties altogether by

participating in a master trust arrangement. These are larger trusts, looked after by an independent trustee, in which employers can participate. These are usually provided by insurers free of charge.

How are the benefits paid?

In the event of a death, the benefits are usually paid to the trustee of the arrangement. The trustee is then responsible for distributing the benefit taking into consideration the employee's circumstances and any expression of wishes the employee may have made prior to their death. The trustee has complete discretion over the payment of this benefit. This discretionary element means that the benefit does not form part of the deceased's estate for Inheritance Tax purposes. As such, benefits are usually paid tax free.

There are no restrictions as to whom the benefit can be paid to.

How much will it cost?

Life Assurance is usually an inexpensive benefit to provide for your employees, but one that is highly valued by staff. Costs start from as little as 0.25% of salary roll.



How can we help?

Some of the standard services we provide are

- ✓ Advice on benefit design to provide a scheme that meets the needs of your business, your employees and your budget.
- ✓ Negotiation with providers to obtain the best possible costs and terms for your scheme.
- ✓ Bespoke, user-friendly communications that explain the benefit to your employees. Not only can this help ensure the benefit is understood and valued but also that your businesses liabilities are clearly spelt out.
- ✓ Claims management and claims analysis.
- ✓ Advice on legislation and changes in the market place to help ensure your scheme keeps up to date.

Getting a quote for Life Assurance is simple. All we need is details of your employees to include date of birth, gender, salary, job title and work location. Talk to us to find out more.

Registered in England Number OC306990.

Registered Office: 2 Venture Road Chilworth Southampton SO16 7NP.

One Pension Consultancy LLP is authorised and regulated by the Financial Conduct Authority.

One Pension Consultancy LLP

Reading office

*One Pension Consultancy LLP
Sunfield Business Park
New Mill Rd
Finchampstead
Berks
RG40 4QT
Tel: 0118 9734420*

Southampton office

*One Pension Consultancy LLP
2 Venture Rd
Chilworth
Southampton
Hants
SO16 7NP
Tel: 02380 762590*

Birmingham office

*One Pension Consultancy LLP
3 Brindley Place
Birmingham
B1 2JB*

London office

*One Pension Consultancy LLP
1 Cornhill
London
EC3V 3ND*

Colchester

*One Pension Consultancy LLP
Old Rectory
School Hill
Birch
Essex
CO2 0NA
Tel: 01206 331562*