

Technical Guide

Excepted Group Life policy

Technical Guide

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Product Overview

This policy provides a lump sum benefit on the death of a member and is designed to meet the criteria for an Excepted Group Life policy as defined in section 480 of the Income Tax (Trading and Other Income) Act 2005. The lump sum benefit provided from this policy does not count towards a member's Lifetime Allowance.

Technical Guide

- Technical Guide for 'Commercial customers' and their advisers.
- This product is only available from appropriately authorised intermediaries who have signed our Terms of Business Agreement.
- This document is a guide to the features of our Excepted Group Life product and should be read in conjunction with the quotation which accompanies it.
- If anything stated in the quotation differs from what is in this guide, then what is stated in the quotation overrides the guide.
- In the event of a discrepancy between the policy document, the quotation and the content of this guide, the wording of the policy document (including policy schedule) will prevail.
- We have classed the customers for these products as "Commercial" within the context of the Financial Services Authority's (FSA) Insurance: New Conduct of Business sourcebook (ICOBS).

Full details of the insurance cover will be contained in the policy document (including policy schedule). The policy is issued subject to the Laws of England and any dispute shall be subject to the exclusive jurisdiction of the English Courts.

Contents

Page number

A. Terms explained	3
B. Excepted Group Life policies	3
C. Statutory conditions for an Excepted Group Life policy	3
D. Our requirements for an Excepted Group Life policy	3
E. Your commitment as the Policyholder	3
F. Risk factors	5
G. How does the policy work?	6
H. Product details	6
1. What factors should be considered in deciding what benefits to provide?	6
2. Setting up the policy	13
3. What premiums will be charged for the cover?	15
4. How does the policy accounting work?	16
5. Claiming benefits	17
6. What is not covered?	18
7. Can cover be provided for an employee who is not in the UK?	18
8. Taxation	19
9. Continuation Option	19
10. Third Party Rights	19
11. Surrender value	19
12. Complaints handling	19
13. Compensation	20
14. Further information	20

This document does not provide definitive tax advice that can be relied upon in the specific circumstances of a particular Policyholder or in respect of any member insured under the policy. This includes but is not limited to any potential liability to corporation tax, income tax, Lifetime Allowance Charge or the loss of Enhanced protection. Policyholders should take advice from their own professional advisers to ensure that they understand the impact of tax and legislation.

A. Terms explained

Actively at Work (AAW) means that a candidate member or member:

- has not received medical advice to refrain from work and is actively following their normal occupation, and
- is working the normal number of hours required by their contract, either at their normal business or at a location to which they are required to travel for business.

An employee will be regarded as actively working if fully capable of so doing were it not for either a leave of absence previously authorised by his or her employer or the requirement for actively working falls on a day the individual is not contracted to work.

An employee must be AAW at commencement of cover and for all increases in benefit.

Candidate Member means:

- An employee of a company, or;
- An employee or an equity partner of a partnership or Limited Liability Partnership (LLP), as appropriate,

who may become a member on meeting the eligibility conditions.

Commencement date is the date from which we have agreed to provide the quoted cover.

Conditional Cover is a procedure by which we agree to provide the quoted cover from the required commencement date for a period of up to 30 days pending receipt of the information detailed in Section H 1.1.7 "When will cover commence?".

Discretionary entrants are individuals who are to be included in the policy outside the usual eligibility criteria.

Early entrants are candidate members who are to be included in the policy before completing the service qualification period.

Free Cover Limit (FCL) is the threshold of insured benefit we declare in your quotation, below which no evidence of health is usually required, although AAW requirements may apply. Section H 2.2 "Free Cover Limit" gives a full explanation of the terms and any conditions which apply to it.

A **late entrant** is a candidate member who wishes to join the policy after the date of their first opportunity to do so. Where eligibility is linked to membership of the employer's pension scheme, a late entrant is a candidate member who wishes to join the pension scheme more than 6 months after their first opportunity to do so.

Normal Contractual Retirement Age (NCRA) is the contractual retirement age normally applied by the employer to their employees or Age 65 if greater.

The **policy accounting date** is the date with effect from which the premium due for the next policy accounting period is calculated.

The **policy accounting period** is defined as the period from the commencement date of the policy up to the first policy accounting date and from one policy accounting date to the next policy accounting date.

The **policy review date** is the date when the premium rate and terms of the policy are reviewed and guaranteed for a further period (typically two years).

QAAF is the acronym for Quotation Acceptance Application Form.

The policy **Terminal Age** is the age at which cover under the policy ceases. The maximum Terminal Age is 75. However, where the contractual retirement age has not been extended for all employees and cover is offered beyond age 65, cover will cease at the earlier of age 75 or the members contractual retirement age. Cover can cease at any pre-agreed point within the month during which the member reaches Terminal Age, such as the last day of the month. Unless otherwise stated cover will cease at 23:59 on the day prior to the member reaching Terminal Age.

Technical Guide

Excepted Group Life policy

B. Excepted Group Life policies

Until the Finance Act 2003 received Royal Assent on 10 July 2003, Unapproved Group Life policies were unable to benefit from an exemption under Section 539 of the Taxes Act 1988. The Finance Act 2003 modified Section 539 by introducing the concept of an Excepted Group Life policy under a new section of the 1988 Taxes Act Section 539A. Section 539A of the Finance Act 2003 removes certain policies from chargeable event legislation by introducing the concept of an Excepted Group Life policy. The definition of an Excepted Group Life policy is now contained in section 480 of the Income Tax (Trading and Other income) Act 2005, and the conditions it has to meet are set out below.

C. Statutory conditions for an Excepted Group Life policy

There must be a minimum of two members, although it should be noted that Unum require a minimum of five members to issue an Excepted Group Life policy.

In addition, the following criteria must be fulfilled, and must apply throughout the lifetime of the policy:

1. the policy must provide a capital sum payable on death before age 75. The policy may contain exclusions which apply to all insured individuals e.g. suicide exclusion
2. the same method for calculation of the capital sum and any limitation e.g. stated fixed benefit or multiple of earnings must be applied to all lives insured
3. the policy must not provide a surrender value other than a refund of "unused" premiums
4. only the benefits set out above may be provided by the policy
5. benefits payable under the policy must be paid to either an individual entitled to them (or a charity), or a Trustee for payment to individuals
6. no person whose life is insured under the policy may receive any death benefit in respect of another group member purely on the basis that they are one of the insured persons under the policy

7. the policy is not taken out with the main purpose of avoiding the payment of tax.

D. Our requirements for an Excepted Group Life policy

We require a minimum of five members to issue an Excepted Group Life policy and written confirmation from the employer before we assume risk that:

- benefits payable under the policy will be paid to the Trustees
- no person whose life is insured under the policy may receive any death benefit in respect of another group member purely on the basis that they are one of the insured persons under the policy
- the policy is not to be taken out with the main purpose of avoiding the payment of tax.

E. Your commitment as the Policyholder

- You must provide us with all the information we ask for when you apply for your policy, at your policy accounting dates or when you make a claim. You must advise us if these details change. If you do not provide this information, we may not be able to pay your claims.
- You agree to pay regular premiums on time in sterling.
- You choose at the outset the conditions of eligibility that govern who can be covered by the policy.
- You agree to abide by the conditions of eligibility set out in the policy.
- You agree to notify us in writing if you wish to amend the eligibility criteria of the policy, for example, by closing the policy to new entrants.
- You agree to notify us in writing if you acquire another company and you wish to cover the workforce of the new company under the policy.

Technical Guide

Excepted Group Life policy

- You agree to notify us in writing if you dispose of a company whose members are covered under the policy and will no longer be covered under the policy.
- You agree to notify us of any claims as soon as possible.
- You agree to identify any discretionary entrants. (See Section A “Terms explained”.)
- You agree to supply us with all the information we ask for at a policy review date.
- You must provide us with details of any member who is required to travel, as part of their job, by helicopter, with details of the frequency, duration, destination and the exact benefit insured as special terms may be applied.
- You must advise us if there has been a material change to the insured basis within the last 5 years (including at this review) or if other benefits are insured for the same set of lives
- You will not be covered if you fail to comply with the terms and conditions of the policy, or if you stop paying premiums. If you terminate the policy, we will pay valid claims that arose while cover existed and for which premiums have been paid.
- For all policies, the premium rate and policy terms and conditions will usually be guaranteed for 2 years. However, we reserve the right to amend these terms if, in the opinion of Unum, there is a significant change in the risk profile. The factors we take into account for this type of policy are:
 - A variance of 25 per cent or greater in the number of members or benefit insured
 - The inclusion of a new subsidiary
 - The disposal of a participating company or closure of a part of the employers business
 - The inclusion of a new member category
 - A change in policy design such as an alteration of benefit level, terminal age or terms of eligibility
 - A significant overall change in the occupations of the members or where they work;
 - A major change to the level or basis of the social security or income tax systems.

F. Risk factors

The policy carries the following risks.

- You should take legal advice on the need to outline the benefits provided by the policy in employees’ contracts of employment and that the benefits, as promised, are not discriminatory. For example, the Employment Equality (Age) Regulations 2006 that came into effect on 1 October 2006 made it unlawful for an employer to discriminate directly or indirectly against an employee on any aspect of their employment or benefits, based on their actual age or their apparent age. The Regulations do not directly apply to insurance policies.
- Catastrophe and travel limitations – the catastrophe limitation for your policy is detailed in your quote, the current maximum catastrophe limit is £100 million. The travel limitation is £25m or, if higher, the total of the 4 largest benefits in respect of the members who died in a single travel event – again subject to the catastrophe limit. (See section 6 ‘What is not covered’)
- Where members are your employees, the benefits provided by your policy should be outlined in your employees’ contracts of employment or pension scheme or Group Life Assurance scheme details.
- If the number of members drops below five at any time, we reserve the right to cancel the policy at any subsequent policy accounting date.

In the case of quotes for new or existing policies we reserve the right to review the terms offered if there is a 15 per cent or more change to the data provided to produce the quote.

G. How does the policy work?

- We require a minimum of five lives for an Excepted Group Life policy.
- You must decide the level of benefit together with the eligibility conditions for the policy.
- While premiums are being paid, we provide cover no matter how many claims you make. In the event of a catastrophe, there is an overall maximum of the catastrophe limit.
- If you terminate the policy, we will pay valid claims that arose while cover existed and for which premiums have been paid.
- You, the employer or Trustees, pay all the premiums.
- You should provide us with the information we require when you make a claim.
- The policy is set up under a Trust with discretionary powers for the Trustees. (See Section H 1 “What factors should be considered in deciding what benefits to provide?”) On request, Unum can provide specimen trust documentation.
- We always pay the benefit to the Trustees, (who may also be the employer).
- The Trustees have absolute discretion to whom the benefits are paid, but must take into account (but are not bound by) the deceased member’s wishes as stated in the member’s completed Expression of Wish form (if applicable). Under the policy, once we have made a payment to the Trustees in settlement of a death claim, our responsibility stops.
- Lump sum benefits paid by the Trustees under a discretionary trust do not form part of the deceased member’s estate, and are normally free of Inheritance Tax. Benefit is paid by Unum to the Trustees and because it is separate from the member’s estate, avoids the need for Probate or Letters of Administration.
- The guarantee period advised in your quotation applies to both the premium rate and the terms and conditions applicable to the policy. When the guarantee expires at the policy review date, both the premium rate and the terms and conditions of the policy are subject to review.

H. Product Details

1. What factors should be considered in deciding what benefits to provide?

Most employers insure the death in service benefits to be provided by their Registered occupational pension scheme, under a Registered Group Life and Dependants’ Pension policy. The lump sum benefit provided by a Registered Group Life and Dependants’ Pension policy will count towards a deceased member’s Lifetime Allowance. Some employers or partnerships may prefer to insure lump sum death in service benefits under an Excepted Group Life policy that provides benefits that do not count towards a member’s Lifetime Allowance.

One of the criteria set out in section 480 of the Income Tax (Trading and Other income) Act 2005, is the requirement to ensure that the same method for calculation of the lump sum is used for all members.

We can insure a lump sum as a:

- multiple of salary,
- flat amount (for all members) or,
- stated benefit, if we are provided with the underlying formula to ensure that it applies to all members.

If a stated benefit is used, we must be provided with the underlying formula to ensure that the same formula was used to calculate the stated benefit for each member. Similarly, any limitation to the lump sum e.g. application of scheme earnings cap or imposition of maximum lump sum, applies to all members. A member who has their benefit entitlement restricted through the application of financial, medical or vocational underwriting, will be regarded as having the same underlying benefit formula.

Technical Guide

Excepted Group Life policy

1.1 Who can be covered?

A candidate member can become a member if they satisfy the conditions of eligibility defined in the scheme rules. If the Trustees want to cover them under the policy they must also meet the definition of being AAW (see Section H 1.1.5)

These conditions also need to be satisfied if you, the employer, wish to increase the cover of existing members by amending the scheme rules.

1.1.1 Conditions of eligibility

Conditions covering entry to the policy must be selected. For example:

- the minimum and maximum entry ages allowed for new entrants and, if a minimum number of years' service is required, the applicable level of service
- the categories of member you wish to be covered
- the date when new entrants will be covered and when existing members will be eligible for increases in insured benefits; this might be:
 - the policy accounting date (annually);
 - the first day of the month (monthly), or;
 - immediately, if all other eligibility requirements of the policy are satisfied (daily).

If cover is dependent on membership of the employer's pension scheme, then the current eligibility requirements of the pension scheme must also be provided.

The FCL will usually apply to all eligible members. See Section H 1.1.6 "Switch Terms for existing members insured on special terms". Otherwise, evidence of good health will be needed before we can provide cover.

The definition of eligibility must be clearly stated in all cases. Membership is compulsory for all candidate members within a defined category or categories. Eligibility conditions covering policy entry ages, entry dates and service requirements must be the same for each candidate member within a defined category.

Part-time and fixed-term candidate members and partial retirees may also be included in the policy if they satisfy the above conditions.

Before cover is effective, we normally require evidence that a member is AAW. (See Section H 1.1.5.)

1.1.2 Discretionary entrants.

Medical evidence will be required for these entrants in all cases.

No cover is provided until we issue acceptance terms

1.1.3 Early Entrants.

Cover for Early Entrants will be provided up to the FCL subject to being AAW and the candidate member is joining at their first opportunity on joining the company and by agreement during recruitment as documented in their terms of employment. Medical evidence will be required in all other circumstances and no cover is provided until we issue acceptance terms.

1.1.4 Late entrants

Candidate members joining within 6 months of their first opportunity can join subject to being AAW and the FCL applies. If a candidate member joins more than 6 months after their first opportunity to do so then they can be covered provided they are AAW and they complete a scheme member's application form for underwriting any benefit in excess of £250,000 (or in excess of the FCL if lower).

All benefit amounts include capitalised dependants' pensions.

Completion of the scheme member's application form may result in medical underwriting being required.

No cover is provided for being underwritten in respect of a Late Entrant until we issue acceptance terms.

1.1.5 Actively at Work

We may waive the need to be AAW before insurance cover with Unum starts dependent upon the number of lives insured under the scheme and the insured nature of the policy (i.e. whether it is a new scheme, or a previously insured scheme or a previously self-insured scheme).

Technical Guide

Excepted Group Life policy

We will always require details of any member who has been absent from work for more than three months before setting up a policy, irrespective of whether

AAW has been waived or not.

AAW provisions are as set out in the table below.

Actively at Work Provisions			
Number of lives	New schemes	Existing insured schemes	Existing self insured schemes
5 - 19	Applied - cover will not be provided until the member has been back working their normal hours for 5 consecutive working days	Applied - cover will not be provided until the member has been back working their normal hours for 5 consecutive working days	Applied - cover will not be provided until the member has been back working their normal hours for 5 consecutive working days
20 - 99	Applied - cover commences immediately upon the return of the member to active employment	Waived - for existing insured benefits Applied - to new members and increases in benefit - cover commences immediately upon the return of the member to active employment.	Applied - cover commences immediately upon the return of the member to active employment
100 - 499	Waived - for all members	Waived - for existing and new benefits and new members	Applied - cover commences immediately upon the return of the member to active employment
500 +	Waived - for all members	Waived - for existing and new benefits and new members	Waived - for existing and new benefits and new members

1.1.6 Switch Terms for existing members insured on special terms

We will require details of the previous insurer's FCL and details of those members whose cover has been subject to special terms by the previous insurer, showing for each member:

- name
- date of birth
- gender
- full underwriting decision (including exclusions and percentage loadings, amount of benefit above which the loading/restriction applied)
- sum assured "on risk" at termination.

Special terms refer to adverse medical underwriting decisions and includes premium loadings, restrictions (including where imposed for non-provision of medical evidence) and declinatures.

Where cover is being transferred from another insurer to Unum on the same policy basis, we will accept benefit for members covered under the existing policy on medical underwriting terms that are no worse than those provided under the previous insurer's policy, subject to our maximum levels detailed below. The actual monetary amount charged in respect of a medical loading may differ from that used by the previous insurer because our underlying premium rates may differ from those used by the previous insurer.

Technical Guide

Excepted Group Life policy

We will provide switch terms for currently insured levels of benefit based on the previous insurer's underwriting decisions of up to a maximum of £4 million benefit per member, subject to any members to be included having been underwritten by the previous insurer for a medical rating of not more than +400% Extra Mortality. We must specifically approve benefits in excess of £4 million, ratings above 400% Extra Mortality and for any lives with benefits above the FCL whose principal residence is outside the European Union before cover can be provided.

1.1.7 Switch Terms for existing members insured on normal terms

We will accept benefit for members covered under the existing policy on normal terms after medical underwriting up to a maximum of £4 million benefit per member (including capitalised dependants' pensions). We must specifically approve benefits in excess of £4 million before cover can be provided.

We will limit our acceptance on normal terms to a value of 125% of our quoted FCL where the current insured benefit has been accepted by the previous insurer without medical underwriting, for example, where it was within their previous higher FCL. We must specifically approve benefits in excess of 125% of our FCL before cover can be provided.

1.1.8 When will cover commence?

We will provide Conditional Cover on receipt of:

- written instructions from your intermediary to assume risk from the commencement date,
- confirmation of the Excepted status of the policy from the Policyholder and
- satisfactory written answers to any Risk Relevant caveats and any Price Relevant caveats that were included in our quotation.

This is subject to receiving a fully completed QAAF signed by the Policyholder during the period of Conditional Cover. The QAAF incorporates a Direct Debit mandate that should be signed by the Policyholder and a Customer Verification Statement that, if requested, should be signed by your intermediary.

In order to continue cover after the period of Conditional Cover, in addition to the fully completed QAAF, we require membership data at the commencement date and a completed AAW declaration if applicable.

1.2 When will cover cease?

1.2.1 Under normal circumstances

We cannot cancel the policy unless:

- the number of members insured under the policy is fewer than five,
- premiums are overdue, or
- you fail to disclose all the information we ask for when applying for the policy, administering the policy, or when claiming for benefit in respect of a member.

You can cancel the policy at any time, provided you do so in writing. Cover will then cease and you will not be liable to make payments for any period after this date. Cancellation cannot be backdated.

If the policy is cancelled, we will still consider and pay valid claims that arose while cover existed up to the date of cancellation, provided that there are no premiums outstanding.

Cover for any member will cease on whichever is the earliest date if:

- they retire early (unless cover has been included in the policy for members who have taken early retirement), or
- they reach the Terminal Age (unless Extended Cover is included. See Section H1.5.3 "Extended Cover"), or
- they reach age 75, or
- they leave the employer's service (unless cover for members who have been made redundant has been included. See Section H 1.5.1 "Redundancy").

Technical Guide

Excepted Group Life policy

1.2.2 Ceasing Conditional Cover

All the information and data we require to set up the policy, including the fully completed QAAF and Deposit premium or Direct Debit mandate, must be provided as requested within the 30 day period of Conditional Cover. Cover will cease if these items have not been provided within this period.

A premium will be charged for the 30 day period of Conditional Cover provided. The premium will be calculated on a pro-rata basis, based on the time we have been on risk.

1.3 What types of cover are available?

One of the criteria set out in section 480 of the Income Tax (Trading and Other Income) Act 2005 is the requirement to ensure that the same method for calculation of the lump sum is used for all members.

We can insure a lump sum as a:

- multiple of salary,
- flat amount (for all members) or,
- stated benefit, if we are provided with the underlying formula to ensure that it applies to all members.

If a stated benefit is used, we must be provided with the underlying formula to ensure that the same formula was used to calculate the stated benefit for each member. Similarly, any limitation to the lump sum e.g. application of scheme earnings cap or imposition of maximum lump sum applies to all members. A member who has their benefit entitlement restricted through the application of financial, medical or vocational underwriting, will be regarded as having the same underlying benefit formula.

The statutory criteria for an Excepted Group Life policy prevent the policy from providing dependants' pensions.

1.4 What if a member is temporarily absent?

The provision of cover varies depending on whether the member is under NCRA or is in Extended Cover (see section H 1.5.3) .

1.4.1a Temporary absence excluding during Extended Cover (see section H 1.5.3).

Where an absent member is still regarded by the employer as remaining in service, they are declared in the membership data and premium is paid in respect of them then cover will be maintained:

- in cases of illness or injury - until the member's NCRA;
- during Statutory absences such as maternity, adoptive, paternity, unpaid parental leave - for a maximum period of 36 months not exceeding the NCRA;
- for any other reason such as sabbaticals, unpaid, compassionate leave for a maximum period of 36 months not exceeding the NCRA.

For increases to benefit during absence for illness or injury, maternity, adoptive, paternity and unpaid parental leave; salary increases will be accepted under Unum's cover provided that:

- the increase is in line with general pay increases for the employer subject to a maximum of 5 per cent per annum compound; and
- the increase is salary related, i.e. we will not cover increases for a flat benefit.

For increases to benefit during absence for sabbaticals, unpaid and compassionate leave; salary increases will not usually apply in these circumstances; this can be considered on a case by case basis when considering cover for this type of absence.

1.4.1b Temporary Absence during Extended Cover (see section H 1.5.3).

Where extended cover has been provided to a member working past the NCRA, if the member becomes absent from work due to;

- illness or injury
- statutory absences such as maternity, adoption, paternity and unpaid parental leave
- any other reasons such as sabbaticals, unpaid compassionate leave

Cover will be continued up to the earlier of;

- the end of their contract current at the date the absence began
- 1 year from the date the absence began

1.5 Are any special cover options possible under the policy?

Full details must be provided if any of the special cover options below are required. We will confirm the terms of that cover in writing, if granted.

All requested special cover options must be included as part of the benefit basis and described in the Scheme Rules.

Yes, the following special cover options are available:

1.5.1 Redundancy

It is possible for cover to continue for a member who has been made redundant. This would be for a defined period, for example three months, and would cease immediately on re-employment not exceeding the policy Terminal Age. If selected, the employer continues to pay premiums for these members. This must be selected at the start of cover provided by Unum and will apply to all members within a selected membership category.

1.5.2 Early retirement

If a member retires early through ill health, for an additional charge, cover of a lump sum benefit may continue up to a maximum age of 65, even if policy Terminal Age is greater. If selected, the employer continues to pay premiums for these members. This must be selected at the start of cover provided by Unum and must apply to all members within a selected membership category.

Technical Guide

Excepted Group Life policy

1.5.3 Cover beyond age 65

Cover can be provided beyond age 65, either as a result of an increase to the client's normal contractual retirement age (NCRA) or under the Duty to Consider regulations (Extended Cover). The following table details our medical underwriting terms for providing cover in these situations:-

Change Description	Scope	New Terminal Age	Scheme Size	Members required to be Actively at Work (AAW) on the date of the extension of cover?	Benefits requiring medical underwriting on the date of the extension of cover?
Increase to NCRA	Whole Scheme or Defined Eligibility	Up to 70	Unit Rate	No	Over FCL*
			Single Premium	Yes	Over FCL*
		71 to 75	Unit Rate	Yes	Over FCL*
			Single Premium	Yes	Full benefit
Extended Cover	Whole Scheme, Defined Eligibility or Selected Members	Up to 70	Unit Rate	No	Over FCL*
			Single Premium	Yes	Over FCL*
	Whole Scheme or Defined Eligibility	71 to 75	Unit Rate	Yes	Over FCL*
			Single Premium	Yes	Full benefit
	Selected Members	71 to 75	All	Yes	Full benefit

* Please note that where dependants pension is also insured by Unum, the part of the total benefit including the capitalised dependants pension which exceeds the lower of FCL or £1m will require medical underwriting.

For Extended Cover:-

- Cover is provided up to the earlier of the new contracted retirement age or reaching age 75. An employee will continue to be covered if they are AAW (where required in the table above) on their NCRA and are continuing to work with a further contract, until the earlier of their new personal contracted retirement age, the agreed scheme terminating age or reaching age 75.
- If the member is not AAW (where required in table above) on the NCRA, cover is not provided until they return to work and then only for the new duties and earnings. If the member does not return to work, no cover will be provided under any circumstances even if premiums continue to be paid in respect of the member.
- Employees already over the NCRA will be granted cover on the same basis as if it were their NCRA provided they have remained in continuous, active service since NCRA and are AAW (where required in the table above) on the date the change is effective. Any benefit in excess of the FCL* will be subject to medical underwriting. Employees who do not meet the requirements will be fully medically underwritten.

Technical Guide

Excepted Group Life policy

2. Setting up the policy

2.1 Process for setting up the policy

We prepare a quotation based upon the risk specification supplied by your intermediary together with:

- the membership data
- claims history over the last five years (if previously insured)
- occupation and location profile of the members to be covered under the policy
- details of any members who have had benefits declined or have had adverse underwriting
- decisions or special terms applied
- details of any members who have been absent from work for more than three months.

We require the membership data to be as up-to-date as possible and to show details that relate to a date within the last 12 months of the quotation request date.

Your intermediary must contact us in writing to advise us that you wish us to go on risk for your policy with effect from a specified date in line with our quotation. We will accept risk immediately after midnight, so for example for a 1st January commencement date we go on risk at 00.01 a.m. on 1st January subject to satisfactory answers to any specific caveats shown in our quotation. We will not agree to backdate acceptance of risk.

You should note that we are unable to assume risk without:

- full address and postcode information for all policy members at their usual place of work. This data must be provided in order that the sum assured at each postcode can be calculated
- satisfactory written answers to any Risk Relevant caveats and any Price Relevant caveats that were included in our quotation
- confirmation of the Excepted Status of the policy.

Once you have accepted our quotation, you will need to provide the following information to enable us to set up your policy:

- a fully completed QAAF signed by the Policyholder
- membership data at the commencement date
- AAW declaration, if applicable

Where special cover options have been selected (see Section H 1.5 "Are any special cover options possible under the policy?") individual details of members to whom special cover options apply must be provided.

Where the basis of risk differs from our quotation, we will advise you of any additional requirements and the revised premium.

2.2 Free Cover Limit

Group Life policies are designed to cover all candidate members who satisfy the conditions of eligibility and any AAW requirements set out in your policy. We will declare a threshold, called the FCL, below which no evidence of health is usually required, although AAW requirements will apply.

FCL only applies to candidate members who join the policy immediately on their first opportunity to do so, or, within six months of their first opportunity to do so if eligibility is linked to membership of the employer's pension scheme. Acceptance at any other time will be subject to the provision of satisfactory medical evidence.

FCL will be applied at our discretion for categories with fewer than 3 members.

The FCL is normally reviewed at each policy accounting date.

Our quotation will state the FCL which applies to your policy.

Where the death in service cover is linked to membership of a pension scheme, the FCL will also depend on the percentage of eligible candidate members who join the pension scheme; this is called the scheme take-up rate. If we do not know the take-up rate at the time we prepare our quotation we will assume that it is at least 75%; if it is actually less, then our FCL will be reduced or we may decline to quote.

2.3 Cover in excess of the Free Cover Limit

2.3.1 In the case of previously uninsured business

If a member's total sum assured including capitalised dependants' pensions (if applicable) exceeds the FCL, the excess will not be covered until the member provides satisfactory medical evidence to Unum.

The total maximum sum assured for any individual is £15 million.

2.3.2 In the case of business switching from another insurer

We cannot guarantee cover for any individual whose total sum assured exceeds £4 million; for these members, we require the following information in order that we can decide whether we are willing to assume risk:

- age;
- benefit level last medically underwritten;
- date last medically underwritten;
- insurer at that time;
- insurer's decision;
- currently accepted benefit level.

The total maximum sum assured for any individual is £15 million.

2.4 What happens if death occurs before we have agreed full cover?

Where a member's benefit is subject to underwriting because it exceeds the FCL, we provide Temporary Cover for a maximum period of 2 months in respect of the amount being underwritten.

During this period, any benefit that exceeds either the FCL or the employee's benefit level as insured immediately before the commencement of the policy will be subject to a pre-existing conditions exclusion. This means benefit will not be paid on death arising from any medical condition which the member has had during the 5 years immediately preceding their

entry date (or date of increase in the case of an increase in benefits).

In the case of a valid claim, we pay the full benefit amount where the total sum assured does not exceed £3 million across all group life policies insured with us (including capitalised dependants' pension benefits, if applicable). Where the total sum assured in respect of a member exceeds this limit, the benefit payable is restricted to £3 million or their existing benefit level accepted by Unum if greater.

- The temporary cover starts from:
 - either the date the member joins the policy with benefits above the FCL, or;
 - the effective date of an increase in sum assured above FCL.
- The temporary cover ceases on the first date either of the two following events occur:
 - we issue acceptance terms following completion of medical underwriting, or;
 - the 2 month period of temporary cover expires.
- If a member dies after the temporary cover period and before we have agreed full cover, benefit is restricted to:
 - **In the case of existing business**
The amount on risk with us immediately prior to the effective date of the increase currently being underwritten.
 - **In the case of new business**
Either our quoted FCL or, if the scheme was previously insured, any higher amount that the member was covered for and which we have agreed to accept without additional medical underwriting, as set out in Section H 1.1.6 and H 1.1.7. "Switch Terms".

Temporary cover pending underwriting is not provided to:

- any member who was not AAW;
- discretionary entrants;
- early entrants;
- late entrants;

Technical Guide

Excepted Group Life policy

- any member requiring Extended Cover, who cannot meet the AAW requirement at the NCRA;
- any member that has been subject to special or restricted terms imposed either by us, or by a previous insurer or who has self-restricted their level of benefit by not completing medical underwriting requirements.
- A new member of a policy that has no FCL is treated as a discretionary member for the purpose of underwriting. Once we have agreed full cover, a discretionary member is treated the same way as an ordinary member the next time underwriting is required for an increase in cover.

2.5 Evidence of health to be provided before candidate members or members are covered

We usually only need to collect evidence of health for those candidate members:

- whose benefits exceed the FCL,
- who are joining outside of the normal eligibility conditions (see Section H 1.1 “Who can be covered?”), such as discretionary entrants and early entrants (where applicable).
- who require Extended Cover and cannot meet the requirements laid out in section 1.5.3
- who are in a membership category with fewer than three lives
- who have previously had cover declined, restricted or loaded.

These candidate members or members will be asked to complete an application form before their benefits can be considered by Unum.

Further information may be requested depending on the information supplied.

If we require further information about a member located overseas, we will contribute an amount towards the cost of that further information from the overseas country. This would be the equivalent cost of obtaining similar information in the UK.

3. What premiums will be charged for the cover?

3.1 How will premiums be calculated?

3.1.1 What factors determine the rate used to calculate premiums?

The premium charged will depend on a number of factors. These include the nature and level of the benefits to be provided and details of the members to be insured, such as, but not limited to:

- level of benefits
- eligibility and entry conditions
- age and gender of the eligible members
- occupation, industry and locations of eligible members
- claims history over the last five years, if the cover has been insured previously
- an eligible member’s annual business mileage, if in excess of 20,000 miles per annum
- our current minimum annual premium.

3.1.2 Single Premium policies (between 5 and 19 members)

Premiums will be calculated for each member according to our current age-related premium rates. Premiums are recalculated at each policy accounting date and are dependent on the age of the member at that time. Premium rates increase with age.

The underlying rate table is usually guaranteed until the second policy accounting date following commencement unless a shorter guarantee period is stated and are subject to review thereafter. A new rate table may apply at the end of this period.

On request, we may be prepared to issue Single Premium policies where there are more than 19 members.

3.1.3 Unit Rated policies (20 members or more)

The annual rate of premium applicable to all members is calculated at the start of the guarantee period and is referred to as the Unit Rate.

Technical Guide

Excepted Group Life policy

The first year premium notified at the commencement date of the policy with Unum is a provisional premium. It is based on the total sum assured at the commencement date multiplied by the Unit Rate (which is expressed as per thousand pounds of sum assured).

Unit Rates are usually guaranteed until the second policy accounting date following commencement, unless a shorter guarantee period is stated and subject to review thereafter and are subject to review thereafter. A new rate may apply at the end of this period.

3.2 Will there be any unexpected extra premiums?

You may be asked to pay additional premiums if:

- you have members whose cover exceeds the FCL and who have therefore been asked to complete an application form, or
- you have candidate members who are joining outside the normal eligibility conditions, such as early or late entrants.

These additional premiums may, for example, be due to a particular medical condition or hazardous pursuits the member may undertake. If applicable, these additional premiums will become payable from the date the medical underwriting decision is made.

3.3 Is there a discount for good claims experience?

Past claims experience is a factor in assessing the premium applicable to an existing policy and therefore, for a large policy, a good claims history will usually be reflected in the premiums charged.

3.4 What commission is allowed for in the premium?

Any commission paid to your intermediary is a percentage of the gross premiums paid; the premium shown in our quotation reflects the level of commission payable.

4 How does the policy accounting work?

The policy usually operates on a 1 year policy accounting period.

Premiums are normally paid annually or monthly by Direct Debit.

Our quotation states an estimated first year cost assuming an annual premium is paid and that all members can be accepted for their full benefit entitlement at ordinary rates. The annual premium shown in our quotation excludes any additional premiums as a result of medical loadings for members whose cover is subject to special terms due to adverse medical underwriting and non-medical loadings for members with hazardous pursuits.

Our quotation also states the expected first monthly premium assuming payment is monthly by Direct Debit, and that all members can be accepted for their full benefit entitlement at ordinary rates.

There is a standard adjustment of 3% for all non-annual payments. Our preferred payment method is by Direct Debit.

Adjustments for all non-annual payments:		
Frequency	Payment by Direct Debit	Payment by Standing Order
Monthly	3%	3%
Quarterly	3%	3%
Half-Yearly	3%	3%

4.1 What information is required for accounting purposes?

At the commencement date and at each policy accounting date, a list of all members will be required showing:

- name
- date of birth
- gender
- salary or earnings
- sum assured
- membership category
- address and postcode of workplace(s)

Technical Guide

Excepted Group Life policy

- occupation
- date of joining or date of leaving (if applicable).

Individual details are required immediately for those members with benefits over the FCL or for candidate members joining outside the normal eligibility conditions of the policy (see Section H 1.1 “Who can be covered”) or for members whose cover is subject to special terms.

4.2 How are accounts adjusted for members who join, leave or have benefit increases during the year?

If a member’s earnings increase, this will normally be reflected in the benefit, provided it remains below the FCL and the member is AAW, if applicable (see Section H 1.1.5 “AAW”).

Where requested, increases in benefit arising from salary increases during the policy accounting period can be covered automatically but if benefit exceeds the FCL, satisfactory evidence of health will be needed before the increase can be considered by Unum.

Details of new entrants will be required at the time of joining if their benefit exceeds the FCL or if they are not joining within the normal eligibility conditions of the policy (see Section H 1.1 “Who can be covered?”),

4.2.1 Single Premium costed policies

A premium adjustment will be calculated reflecting the level and duration of cover we provided during the policy accounting period. Any premium adjustment for members who join or leave or whose benefit increases is applied at the next policy accounting date.

4.2.2 Unit Rated policies

A premium adjustment will be calculated at the end of the current policy accounting period based on the average total salary roll or total benefit roll for all members covered by the policy during this period. Effectively this means salary and changes in membership are treated as if they occurred at half way through this period. Any premium adjustment for members who leave, join or whose benefit increases is applied at the next policy accounting date.

5. Claiming benefits

This section deals with common questions that arise following a member’s death.

5.1 Notification of Death

Please notify us of a member’s death as promptly as possible by telephoning our Customer Care department on telephone number: 01306 873243

We will issue you the appropriate Notification of Death forms.

5.2 Evidence required to process a claim

The evidence we require to process a claim includes the following:

- a completed claim form signed by the Trustees or administrators of the scheme
- member’s original death certificate
- member’s original birth certificate
- evidence of membership and earnings
- the “Excepted” status needs to be confirmed at claim stage.

5.3 Claims processing

Upon receipt of all the necessary documentation, we will process your claim.

Lump sum payments will be made to the Trustees of the scheme.

5.4 What happens to claims in respect of members based overseas?

Any claim in respect of members based abroad, and foreign nationals, will be paid in sterling.

5.5 How to complain about a claim decision

In the event of the claim decision not being to the policyholder’s satisfaction, the policyholder may refer the matter to the Customer Feedback Department. This

Technical Guide

Excepted Group Life policy

is a separate Department, independent of the Claims Department that will review the claim decision afresh and in line with Unum's complaint handling process. The Customer Feedback Department will issue Unum's final decision on the claim. If the policyholder remains dissatisfied The Financial Ombudsman Service provides an independent dispute resolution service for eligible complainants. Where you remain dissatisfied with the outcome of your complaint, you can contact the Financial Ombudsman Service at the address below within 6 months of Unum's final decision being made. Your legal rights and those of the member are not affected if this organisation is contacted.

The Financial Ombudsman Service
South Quay Plaza
183 Marsh Wall
London, E14 9SR
Tel: 0845 080 1800

6. What is not covered?

There are no exclusions in the policy. All causes of death, including suicide, are covered.

However, there are limitations to the overall cover of the policy due to accumulation of risk considerations in the event of a catastrophe and specifically in respect of members travelling together on business as a group.

6.1 Our maximum liability in the event of a catastrophe

The maximum liability of Unum for a Policyholder group in respect of more than one death (irrespective of the date and place of death) attributable directly or indirectly to a catastrophe shall be as advised in your quotation.

Where the catastrophe is a result of a group of members travelling together on business, the benefits will be limited to the lower of:

- the maximum liability limit, or
- £25 million or, if higher, the total of the 4 largest benefits in respect of the members who died in the catastrophe.

Policyholder group is defined as the companies, entities, Partnerships or Pension Fund Trustees which are all part of the same group of companies, entities, Partnerships or Pension Fund Trustees as the Policyholder during the period of the policy which includes but is not limited to the Policyholder and its associated subsidiary or affiliated companies, entities or Partnerships and any Pension Fund Trustees associated with the Policyholder that may exist from time to time.

6.2 What is a catastrophe?

A catastrophe shall be defined as one originating cause, event or occurrence or a series of related originating causes, events or occurrences, which results in more than one death, irrespective of the period of time or area over which such originating causes, events or occurrences take place. Unum shall be the sole judge as to what constitutes a catastrophe.

6.3 How will we deal with notification of multiple deaths?

Allocation of benefits under the Policyholder group resulting from more than one death, attributable directly or indirectly to a catastrophe and thus subject to the maximum liability limit, shall be in the chronological order of the dates upon which written notification of each death claim is received by Unum. Insofar as more than one such written notification is received by Unum on the same day and in total, the amount would cause the maximum liability limit to be exceeded, Unum shall be entitled in its sole discretion to pay such claims on a reduced pro-rata basis according to the remaining balance of the maximum liability limit such that Unum's total liability for such claims shall not exceed the maximum liability limit.

7. Can cover be provided for a member who is not in the UK?

We are prepared to cover members travelling or working overseas or seconded to other organisations, provided that:

- they meet the eligibility conditions of cover for the policy, and;

Technical Guide

Excepted Group Life policy

- employees have a contract of employment with a UK registered company (which is covered by the policy), and;
- they continue to be declared in the membership data and premium continues to be paid in respect of them, and;
- all premiums must be paid in sterling.

For lives based overseas the nationality and countries worked in need to be declared for each employee at policy commencement and review.

Benefits will be paid to the UK Policyholder in sterling.

8. Taxation

8.1 Payment of premiums

Premiums paid by employers are considered by their Local Inspector of Taxes under the “wholly and exclusively” provisions relating to business expenses.

Premiums paid by employers are not assessable for tax as a benefit in kind for an employee.

There is no tax relief on the premiums paid by an equity partner.

8.2 Payment of benefits by the Trustees

In the event of a claim, the lump sum death benefit is paid free of Income Tax.

Discretionary Trusts are subject to normal inheritance tax charging rules, with the possibility of exit and periodic charges of up to 6% of the value of the fund.

Benefits do not count towards a member’s Lifetime Allowance.

This information is based on our understanding of current UK tax legislation and HMRC practice at the time of going to press. However, employers should refer to their intermediary for specific advice on the tax implications for their company. The tax treatment detailed above may not apply to overseas members of the policy.

9. Continuation option

This option is not available.

10. Third Party Rights

Third Party Rights under the Contracts (Rights of Third Parties) Act 1999 do not apply.

11. Surrender value

The policy does not acquire a surrender value.

12. Complaints handling

We want you to be entirely satisfied with your Excepted Group Life policy. If you do have a query or a complaint, then in the first instance please contact the intermediary who arranged the policy for you. If there was no intermediary, please contact Unum directly.

If this does not resolve the matter then please write to:

Head of Customer Feedback

Unum

Milton Court

Dorking

Surrey

RH4 3LZ

Tel: 01306 887766.

If the matter remains unresolved, you can, subject to eligibility, contact the Financial Ombudsman Service at the address below. Your legal rights are not affected if you contact this organisation.

The Financial Ombudsman Service

South Quay Plaza

183 Marsh Wall

London

E14 9SR

Tel: 0845 080 1800

13. Compensation

If we cannot meet our liabilities you may, subject to eligibility, be entitled to compensation under the UK Financial Services and Markets' Act 2000. Information about this is available on request from us.

14. Further Information

About Unum

Unum is one of the UK's leading providers of financial protection, with almost 40 years' experience.

Unum helps employers protect their workers by providing access to financial protection, safeguarding employees from the consequences of serious illness, injury or death.

At the end of 2009, Unum protected more than 1.6 million lives in the UK and paid claims of £268 million, providing security and peace of mind to employees and their families.

In the UK, Unum has a financial strength rating of A- (Strong) from Standard and Poor's and A- (Excellent) by AM Best.

Its US parent company, Unum Group, traces its history back to 1848 and is one of the leading providers of employee benefits products and services, and the largest provider of group and individual disability insurance in the United States. Premium income for Unum Group and its subsidiaries totalled \$7.5 billion in the year ended 31 December 2009, with reported revenues for the group totalling \$10.1 billion. Total assets were \$54.5 billion at 31 December 2009.

For more information please visit www.unum.co.uk or www.unum4advisers.co.uk

www.unum.co.uk

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We monitor telephone conversations and e-mail communications from time to time for the purposes of training and in the interests of continually improving the quality of service we provide.

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