

The PK Guide to Group Income Protection Insurance for Employees

Group Income Protection Insurance (GIP) is typically arranged by employers to cover their contractual liability to pay an ongoing income to employees in the event of the employee being medically unfit to work whether due to illness or injury

What benefits are payable?

Benefits paid are expressed as a percentage of the employee's 'pre-disability' earnings. Usually this is restricted to Basic Salary only but may also include variable earnings, pension contributions and employer's National Insurance Contributions (NICs). The percentage of earnings covered will vary dependent upon the employer.

Deferred Period

Claim payments will only start after a deferred period – this is the number of weeks for which an employee must be unfit for work before payments will commence. The deferred period is specified by the employer and could be any period up to 52 weeks.

How do I join?

Joining is automatic and will depend upon your employer's rules. As an example, a common rule could be: "All employees after completing three months' employment".

All employees meeting the relevant rule are automatically covered by the insurer.

Will I need to complete any forms?

Most employees will be covered for their full benefit automatically without needing to apply or complete any forms.

Some employees with higher-than-average incomes may need underwriting. All schemes will have a 'Free Cover Limit' (FCL) which is the maximum amount of cover that each employee may receive automatically without the need for individual underwriting. If an individual has a salary high enough such that their income benefit is over the FCL then they won't be insured for the excess benefit until they have completed individual underwriting – this may involve completing forms, insurers writing to their doctor and may even require attending a medical examination.

How are payouts taxed?

Benefit payments are made directly to the employer who will then pass these on to the employee via payroll. They are treated as normal income and thus subject to Income Tax and NICs.

Are my employer-paid premiums taxed?

No, premiums for Group Income Protection do not incur any personal tax liability.

When does cover cease?

Cover in GIP schemes stops when you leave the sponsoring employer's employment or reach the scheme 'cessation age'. The cessation age will normally be either a fixed age (such as 65, 70 etc) or be expressed as 'State Pension Age' at which point cover ceases for each individual as they reach their own State Pension Age.

When individuals are claiming, benefits will cease upon the earlier of:

- The employee becoming fit for work again
- The employee's death

- The employee reaching the scheme cessation age
- For limited payment term schemes, when the benefit has been paid for the maximum period (2, 3 and 5 years are the most common periods)

Are there any other benefits?

Some GIP policies come with an 'Employee Assistance Programme' included. This provides counselling and support services for issues such as bereavement and stress. Some may even include wellness programmes and 'virtual' GP services.

Is this sufficient?

Although your employer's cover can provide you with valuable protection, the amount of cover isn't selected based upon your own circumstances and you may find that you need more to adequately protect yourself against the financial effects of long-term sickness.

We suggest that individuals needing personal protection products should seek Independent Financial Advice – please contact us if you would like to be referred to one of our Financial Advisers in PK Financial Planning.

More information

To find out more about the specific cover your employer offer and find out what extra benefits might be available please contact PK Employee Benefits.

If your employer gives you access to our PK Engage App, you can find out more about your own entitlement there.



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