

## The PK Guide to Group Life Assurance for Employees

Group Life Assurance (GLA) is typically arranged by employers to cover their contractual liability to pay benefits on the death of an employee. This is also known as a 'Death in Service' benefit.

### What benefits are payable?

Benefits paid are either expressed as a multiple of Basic Salary or a fixed sum at the time of death. The amount or multiple used will vary from one employer to another.

### 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 death 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?

If the insurer can pay directly to a beneficiary, then benefits are normally paid tax-free as the scheme is written under a Trust (see 'More about Trusts' below).

For this reason, it's a good idea to complete a Nomination of Beneficiary form so that the scheme Trustees know who you would like to benefit.

In cases where it's not clear who your intended beneficiary might be, it may be that the benefit gets paid to your estate in which case it may become subject to Inheritance Tax.

### Are my employer-paid premiums taxed?

No, premiums for Group Life Assurance do not incur any personal tax liability.

### More about Trusts

GLA schemes are written under two types of Trust:

**Registered schemes** are written under a pensions Trust. Benefits under this type of scheme are deemed to form part of your pensions 'Lump Sum and Death Benefits Allowance' (LSDBA) when paid and so may lead to a tax charge if, when added to your other pension assets, your total pension values exceed the Allowance which is £1,073,100 for the 2024/25 Tax Year.

Individuals who have registered with HMRC for 'Protection' against an LTA charge prior to 15/03/23 will not have their Protection affected by joining a new Registered GLA scheme.

**Excepted Schemes** are written under a Trust that doesn't fall under the LSDBA rules and so are much more commonly used. If your income and pension circumstances are such that you think that

payouts might be subject to an LSDBA charge, you should check with your employer or benefits advisers what type of Trust is in place for your scheme.

#### When does cover cease?

Cover in GLA 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.

#### Are there any other benefits?

Some GLA 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 your family 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 your dependents.

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 offers, to nominate a beneficiary 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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