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Kerry-Ann Chennells: Hi, and welcome to Zurich's podcast series. I'm your host, Kerry-Ann Chennells and in this episode, we are talking about Relevant Life policies with our guest speaker, Aj Sahota.

Aj Sahota: I'm Aj Sahota. I'm a field-based account manager here at Zurich. I look after the East Midlands area and yeah, I'm really excited to be talking to you about Relevant Life today.

Kerry-Ann Chennells: Great! Thanks, AJ. Can you tell us what a Relevant Life policy is and what are the risks it protects against?

Aj Sahota: OK. Yeah, sure. So, a Relevant Life policy - a lot of advisers get it confused with business protection, but it's actually not business protection. It's actually a really good door opener for business protection cases.

So, Relevant Life is a life insurance policy and it's available to employers and they tend to write it so that it provides an individual a death in service benefit for their employees. It's designed to actually pay a lump sum to the employees' family. So, if the employee died whilst they were employed and whilst the plan is in place, it will pay into a Relevant Life trust form, which I'll talk about a little bit later, and it will pay to the beneficiaries.

There's also terminal illness cover which is included which could pay out if the employee, whilst they're clearly employed and covered by the policy, is diagnosed with a terminal illness.

So, with the life expectancy of less than 12 months, the premiums are clearly paid, and the policy is owned by the employer with the policy in place into the Relevant Life trust form, which I'll go on to now, is tax efficient for both the employee and the employer.

So, I've mentioned the tax efficient part, and I'll just tell you a little bit more about that. So, with the tax efficient part, there's actually no assessment of the premiums on the employee as benefiting in kind or actually otherwise. And the premiums are actually paid by the employer, and they're usually viewed as an allowable business expense by HMRC.

The premiums and any benefit paid are eligible for relief from income tax, corporation tax and national insurance contributions and just finishing up the benefits do not count towards the lifetime allowance for pension purposes and in most cases, benefits are actually paid free of inheritance tax.

Aj Sahota (continued): And just one final point, the policies are actually portable. So, should the employee leave their current employer, they're actually able to continue the policy in their own name.

Kerry-Ann Chennells: Great. Thank you. So, who would actually benefit from a Relevant Life policy?

Aj Sahota: The cover is actually designed for small businesses that will be looking to provide a lump sum benefit for their employees. And like I mentioned earlier, in a tax efficient way. So, it will be placed in the trust with the employee's family independents normally as beneficiaries.

And in terms of suitability, the clients that tend to be suitable for Relevant Life are ones that meet the eligibility criteria and have a need for a lump sum benefit because they want to provide a lump sum in the event of death or a terminal illness, and they're actually unable to do this for a group scheme. So, we tend to have a lot of smaller firms or smaller limited companies that probably have too few employees to actually set up a group scheme, and they're the ones that tend to be taking up Relevant Life more often.

There's other instances as well where the employees actually have substantial pension funds and don't want their death in service benefits to form part of their pension lifetime allowance or for the actual premiums to impact their protection from the lifetime allowance.

So that alongside the fact that the employer has a small business without enough employees to set up a group life scheme and the employer wants to provide death in service benefits to their employees that exceed those payable under the main company scheme. So, they tend to be the main types of people that take up Relevant Life.

Kerry-Ann Chennells: So, you mentioned earlier about Relevant Life trusts. Can you tell us a bit more about that?

Aj Sahota: Yeah, of course. So, the policy can only be issued into a Relevant Life policy trust which the employer will need to set up when they actually apply for the Relevant Life policy. And I mentioned earlier that the employees' family or dependents can be the beneficiaries.

The actual legislation for Relevant Life requires that the benefits of a Relevant Life plan must be paid to an individual or actually a charity could also be included, and this allows for it to be paid via a trust.

And lot of the time we get asked 'Well, why should a Relevant Life plan be written into a discretionary trust?' (which is what a Relevant Life trust form is). And the types of examples are that it actually helps to ensure that the money paid out from the Relevant Life plan would not form part of the estate of the person covered. And it actually helps to minimise inheritance tax and also things like quicker payout.

Aj Sahota (continued): So, it should help to ensure that the money paid out from the Relevant Life plan can be paid to the right people. So, we talk about trust planning and when proceeds from protection policies are paid out. We talk about the right money, in the right hands, at the right time and the Relevant Life trust form certainly fits that.

So, it avoids any need for lengthy legal processes such as needing to attain a grant of probate and this process takes time. And if they die without having made a will, the process can take a lot longer. And since the trustees are the legal owners of the policy, we can make the payment to them directly following a successful claim.

Kerry-Ann Chennells: So, how do advisers get started with Relevant Life? What are the first steps they have to take to be able to sell it to their clients?

Aj Sahota: I suppose it would be rude of me not to introduce our website and us as account managers first of all. So, we are obviously here to educate advisers about Relevant Life. Like I mentioned earlier, there's a lot of business protection that's done and sometimes Relevant Life is kind of missed. Relevant Life is a massive door opener to the more lucrative business protection. So, there's sections on our website where the advisers can go on and look at Relevant Life and it will tell you not only about a summary of our cover, the details of the cover - it will tell you a lot more about the flexibility. There are multiple.

So, in terms of the maximum sum assured that will be available to the life assured, it depends on age. So, if someone is between 16 and 39 then the total remuneration that we look at for the sum assured is actually 30 times their total remuneration. So, that's things like salary, their dividends or remuneration can actually include bonuses, benefits in kind, dividends and like I mentioned, salary.

If someone's between 40 and 49, they can look at 20 times total remuneration and from 50 onwards we look at 15 times remuneration.

But I'm sure there's lots of advisers out there with client banks of company directors and smaller businesses, people that really do fit the criteria for Relevant Life. So, speak to us, speak to your account manager. Have a look at our website. We do lots of webinars. There's lots of ways of making advisers more aware of Relevant Life and yeah, like I said, and I've probably mentioned it a few times, it is a great door opener to the more lucrative business protection.

Kerry-Ann Chennells: Can you give us an example to illustrate?

Aj Sahota: Advisers, for example, they have smaller firms, they have less individuals, so that they won't qualify for a group scheme. So, they can start off if they haven't ever done a Relevant Life policy, they can write it on their own lives. They can write it on employees in their firm, they can write Relevant Life policies for them. And yeah, it's just a great way of starting out and getting the tax advantages and then moving on to other individuals within their client bank.

Kerry-Ann Chennells: Great. Thank you so much, Aj, for joining us. We hope you've enjoyed listening and you can also listen to our other podcasts on a range of insurance topics.

Aj Sahota: Thank you very much.

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