



Relevant Life Insurance

Questions and Answers

1. What is a relevant life policy?

A relevant life policy is designed to allow employers to provide an individual death in service benefit for an employee in a tax-efficient way, both for the employer, employee and the employee's beneficiaries.

The policy must meet a number of legislative requirements in order to qualify as a relevant life policy and receive the tax treatment associated with it.

2. Who is eligible to be the life covered for a relevant life policy?

The life covered must be a permanent resident of and physically living in the UK and an employee of a UK resident business. This includes salaried partners/directors and salaried single directors of a limited company (e.g. IT contractors). Equity partners, sole traders and anyone treated as being self employed are not classed as employees for the purpose of taking out a relevant life policy, so are not eligible.

To have a policy the life covered must be between the ages of 18 and 73 for life cover only or aged between 18 and 64 for life and employee significant illness cover.

3. What type of business can take out a relevant life policy?

Limited companies and limited liability partnerships are legal entities and can take out a policy in the name of the business.

Partnerships (in England and Wales) and sole traders are not legal entities and cannot take out a policy in the name of the business. For partnerships, all of the partners would jointly apply for the policy on the life of the employee. For sole traders, the business owner would apply for the policy on the life of the employee.

4. What trust should I use for Relevant Life Insurance?

Aviva's Discretionary Trust for Relevant Life Insurance should be used with Aviva's Relevant Life Insurance. The policy must be written under trust from commencement.

5. Can the Aviva Discretionary Trust for Relevant Life Insurance be used with an existing policy?

No. Aviva's Relevant Life Insurance must be taken out under an Aviva Discretionary Trust for Relevant Life Insurance from outset.

6. Is Aviva's Discretionary Trust for Relevant Life Insurance a split trust?

No, Aviva's Discretionary Trust for Relevant Life Insurance does not need to be a split trust, as the life covered is a potential beneficiary.

For policies applied for on or after the 11 March 2018, this means that the trustees could use their discretion to pay any employee significant illness benefit to the life covered.

For current inheritance tax purposes, including the life covered as a potential beneficiary under the trust is not a gift with reservation, as the employer (not the life covered) is the settlor of the trust.

7. Can Relevant Life Insurance include cover such as employee significant illness benefit?

HMRC and Aviva are in agreement that Relevant Life Insurance with employee significant illness qualifies as a relevant life policy. On that basis, no benefit in kind will arise on premiums funded by the employer and no charge to tax will arise when claims proceeds are received by individuals.

To find out more about employee significant illness please refer to the policy summary.

8. What does the Relevant Life Insurance (with employee significant illness) mean for existing Relevant Life Insurance policies (with critical illness)?

These changes do not impact advisers or their clients who have an existing Relevant Life Insurance policy with critical illness cover. Existing Relevant Life Insurance policies will remain in force based on the terms and conditions under which the policy was issued. For the avoidance of doubt, Aviva will always pay a valid claim under the terms of the contract.

9. What is the tax treatment of Relevant Life Insurance?

Provided they are not funded through salary sacrifice, the premiums should be treated as an allowable expense for the business and as the premiums will not usually be a taxable benefit for the employee, the employee will not pay income tax on the value of the premiums and the employee/employer will not pay NICs on the value of the premiums.

The policy proceeds will usually be paid free of income tax, capital gains tax and NICs.

As the policy is held under trust, the policy proceeds should not be treated as part of the employee's estate for inheritance tax purposes.

No pension lifetime allowance charge will apply. Please remember tax rules may change in the future and will depend upon the individual circumstances of your clients.

10. What happens if the life covered under Relevant Life Insurance is no longer employed by the business?

If the life covered leaves the business, they won't be covered and the policy will be suspended. However, the policy can be transferred to the life covered's new employer, who must also arrange to take over the premium payments. If this happens, it can continue to qualify as a relevant life policy. This must be completed within 90 days of the life covered leaving their previous employer. The old employer would retire as trustee and the new employer can be appointed as new trustee.

If the Relevant Life Insurance policy is not transferred to a new employer, the life covered can use the continuation benefit to take out a new individual policy with us for life cover only. The life cover policy conditions in force at the time will apply to the new policy. They can do this without answering any further health and lifestyle questions, provided they do so within 90 days of leaving their employment. They will not be able to have employee significant illness cover on any new policy (regardless of whether they had it at outset) and any new policy will not have relevant life status.

Please see the policy conditions for more information.

11. Does Aviva have a Relevant Life Calculator?

Yes. Aviva's Relevant Life Calculator can be found [here](#).

12. When might Relevant Life Insurance be suitable?

A relevant life policy may be suitable for:

- employees with (or who are likely to have) significant pension funds
- employers who wish to provide additional benefits not already provided by their group life policy
- employees who do not (or cannot) have a group life policy

13. Will the death benefit of a relevant life policy form part of the employee's Pension Lifetime Allowance?

No.

14. Can Relevant Life Insurance be used for shareholder/partnership protection or key person protection?

We do not recommend using Relevant Life Insurance for shareholder/partnership protection or key person protection.

For further information, please contact your Aviva Account Manager or visit our adviser website.

