Spotlight on...

Death in Service Cover (Group Life Assurance)

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EVERYONE BENEFITS

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Death in Service cover is a popular benefit available to companies with 3 employees or more. In the event of an employee's death, the policy pays out a tax-free lump to their nominated beneficiaries who could be a financial dependant, a charity close to their hearts, or anyone else they choose.

How does it work?

The employer decides on the cover amount they would like to put in place at the outset. Usually this will either be a multiple of the employee's salary, or a fixed sum assured. Choice of salary multipliers varies from provider to provider, but they are typically between 1-10 times salary. Most businesses implement between 2-5 times salary, but the right amount of cover is heavily linked to their sector and location.

Companies can choose different multipliers for different categories of employee should they wish to differentiate on factors such as seniority or length of service. For example, they may offer 5 times salary to 'Directors and Managers' and 3 times salary to 'all other employees'. The expiry date of cover is often State Pension Age, but it can be extended up to age 75.

Each scheme is provided with a "free" cover limit, a financial limit under which employees do not need to answer medical underwriting questions to receive cover. This can be useful as it means employees with past medical issues, and who may struggle to get personal life insurance can potentially be included.

The policy is set up under a Trust and employees nominate their chosen beneficiaries. These are the people they would want to receive the tax-free lump sum in the event of their death. These instructions should be kept up to date, and retained on their HR file to ensure the proceeds pass as per their wishes. It is important to stress that without a nomination form, the claims process can become prolonged as the Trustees would need to conduct full investigation into who should receive the funds.

Premiums are usually a tax-deductible expense for employers under current legislation but are not a P11D 'Benefit in Kind' meaning that employers can provide this benefit to employees without a tax implication. We always recommend consulting your tax

Why do businesses need Death in Service?

Death in Service cover offers valuable peace of mind and financial security to employees as they know their family/dependants would have cash available in the event of their death. It helps to show you are a caring and benevolent employer. If you suffer the death of an employee, it places you in the positive position of being able to assist the bereaved family at a time of grief. The financial support the cover provides could allow them to pay off debt or replace lost income for a while so it reduces the money worries that can accompany death of a loved one. Without cover in place it can be a difficult conversation with relatives.

Including Death in Service as part of the employee benefits package helps businesses attract and retain quality employees. Employees who have previously worked for large companies are highly likely to have enjoyed this benefit. Therefore, an employer who offers it is more likely to attract a wider range of job candidates.

Costs

Death in Service is one of the lower cost benefits. The price is linked to a number of factors which include the age of the workforce; salary levels; selected salary multiple; and cease date.

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To request a quote for Death in Service cover or a free benefits consultation please contact us:

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