GROUP PROTECTION

ILL HEALTH LIABILITY INSURANCE PLAN FOR LOCAL GOVERNMENT PENSION SCHEMES.

Helping you understand our plan and policy.
This is an important document which we suggest you keep in a safe place.
IHLI 05/2015

TECHNICAL GUIDE
WHAT IS A TECHNICAL GUIDE?
The Financial Conduct Authority is a financial services regulator. It requires us, Legal & General, to give you important information to help you decide whether our Ill Health Liability Insurance Plan is right for you. You should read this document carefully so you understand what you’re buying, and then keep it safe for future reference.

If there’s anything you need to ask about once you’ve read it, you can ask us or your financial adviser.

BEFORE YOU START READING
We’ve used plain language to help make the technical guide easier to understand. You’ll find explanations of any technical terms we use in the glossary on page 13 of this document. Where terms covered in the glossary appear in the main text, we’ve highlighted them in bold, like this.

This guide is for employers who participate in the Local Government Pension Scheme and for the administering authority. We refer to both a plan and policy in this guide. The terms and conditions that apply to your pension fund are set out in the plan. These terms and conditions will apply to all employers covered by the plan.

When we say plan employer in this guide we may be referring either to an individual employer that has joined the plan or to the administering authority, depending on the type of plan.

Please see ‘Types of Ill Health Liability Insurance’ on page 5 for an explanation of the different types of plan available.

We use words like ‘normally’ and ‘usually’ in this guide. This is because some of our terms will depend on the information you give us for the quotation and the choices you make about the cover you want.

We’ll give you the exact terms and chosen options in our quotation and we’ll fix these at the start of the policy. You’ll only be able to change these if we agree.

You can ask us, or your financial adviser, if you need more details about how the policy works.
<table>
<thead>
<tr>
<th>CONTENTS</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>AIMS, COMMITMENTS AND RISKS</td>
<td>4</td>
<td>3.0 What premiums will you charge for the cover? 9</td>
</tr>
<tr>
<td></td>
<td>4</td>
<td>3.1 How will you work out the premiums? 9</td>
</tr>
<tr>
<td></td>
<td>4</td>
<td>3.2 Will there be any unexpected extra premiums? 9</td>
</tr>
<tr>
<td></td>
<td>4</td>
<td>3.3 How much commission will you pay our adviser? 9</td>
</tr>
<tr>
<td>HOW THE PLAN AND POLICY WORK</td>
<td>5</td>
<td>4.0 How does the accounting work? 10</td>
</tr>
<tr>
<td>YOUR QUESTIONS ANSWERED</td>
<td>7</td>
<td>4.1 What information do you need for accounting? 10</td>
</tr>
<tr>
<td>1.0 What should be considered when deciding what benefits to provide?</td>
<td>7</td>
<td>4.2 How do you adjust premiums for employees who join, leave or have benefit increases during the plan year? 10</td>
</tr>
<tr>
<td>1.1 Who can be covered?</td>
<td>7</td>
<td>4.3 If you or we cancel the policy mid year, will we lose any premiums we have paid in advance? 10</td>
</tr>
<tr>
<td>1.2 What types of cover are available?</td>
<td>8</td>
<td>5.0 How do we make a claim? 10</td>
</tr>
<tr>
<td>1.3 When will the lump sum be paid?</td>
<td>8</td>
<td>6.0 Can you cover an employee who is not based in the UK? 11</td>
</tr>
<tr>
<td>1.4 When will cover end?</td>
<td>8</td>
<td>7.0 What tax rules apply? 11</td>
</tr>
<tr>
<td>2.0 How do we set up a plan and policy</td>
<td>9</td>
<td>FURTHER INFORMATION 12</td>
</tr>
<tr>
<td>2.1 What are the requirements to set up a plan and policy?</td>
<td>9</td>
<td>GLOSSARY 13</td>
</tr>
<tr>
<td>2.2 What medical evidence is needed before employees can be covered?</td>
<td>9</td>
<td>CONTACT DETAILS 14</td>
</tr>
</tbody>
</table>
AIMS, COMMITMENTS AND RISKS.

ITS AIMS

Our Ill Health Liability Insurance Plan for Local Government Pension Schemes (LGPS) aims to provide insurance to pay a lump sum if an employee covered under the plan qualifies for and takes ill health early retirement under the rules of the LGPS. The lump sum will be equal to the strain cost to the LGPS and will be paid to the plan employer.

YOUR COMMITMENT

You need to make some very specific commitments for the policy to work properly:

• To give us all the information we ask for when you apply for a policy and at annual renewal dates. We can change or cancel the policy if you don’t give us this information. Please see question 4.1 for more details.

• To tell us about a claim within the time limits set out in the plan terms and conditions and give us all the information we ask for to support any claims. Without this we won’t be able to pay the claim. Please see question 5 for more details.

• Pay the premiums on the dates we ask for them.

• Keep to all the conditions set out in the plan and policy.

RISKS

There are some risks you need to understand about the plan and policy.

• If you stop paying premiums, or you fail to keep to our terms and conditions, all cover under the policy will end.

• The premiums may go up or down depending on changes in the number of members we cover under the plan. We normally guarantee premium rates until the end of the second plan year and every subsequent two plan years thereafter. However, if you change the insured basis, we may review the premium rate.

• We can cancel the plan if membership falls to less than 25 members. If we do this, we’ll write to you at least 30 days before we cancel the plan.

• We may also review the unit rate if a change is made to the agreed plan eligibility or benefit structure.

• We can change the plan and policy terms at the end of any guarantee period, although we will give you at least 30 days’ written notice of any change.

• There are some reasons why we won’t pay a claim. For example, if cover has ended for any reason as set out in question 1.4 or if we do not agree with the assessment of ill health early retirement. Please see question 5 for more details.

• We can change the plan and policy terms if there are changes to the LGPS which affect the plan or your policy.

• We may not pay a claim for benefit if you don’t notify us of the claim within 90 days of a member being retired early due to permanent ill health, or the date the decision to retire the member early was taken, if this was later.

• If we’ve told you in our quote that we need employees to be actively at work, we won’t start or increase their cover until they meet our actively at work requirements. Please see question 1.1 for more details.

• We may not pay a claim for benefit if you don’t notify us of the claim within eighteen months of the policy being cancelled.
TYPES OF ILL HEALTH LIABILITY INSURANCE

Ill Health Liability Insurance is available in three forms:

a) Whole of fund plan
   • An administering authority sets up a plan for all eligible members of the pension fund.
   • We’ll issue a policy and a copy of the plan terms and conditions to the administering authority.

b) Partial fund plan
   • An administering authority sets up a plan for all eligible members of the pension fund, who are employed by a defined group of employers.
   • We’ll issue a policy and a copy of the plan terms and conditions to the administering authority.

c) Employer choice plan
   • An administering authority sets up a plan for the pension fund. Employers who participate in the Local Government Pension Scheme can join the plan as long as they meet the requirements set out in question 1.1, ‘who can be covered’.
   • Employers joining the plan will be issued with a copy of the plan and a policy setting out terms and conditions specific to them. We call these employers plan employers.

An administering authority may choose to set up both a partial fund plan and an employer choice plan to cater for different segments of their pension fund membership.

THE PLAN

• Each administering authority individually negotiates their plan.
• We’ll normally need at least 50 members to set up a plan. There is no minimum membership per plan employer providing the overall plan covers at least 50 employees.
• We will provide a plan quotation which will:
  – set out the type and level of benefit;
  – contain the specific terms and conditions applying to that plan.
• Your adviser will provide you with the plan quotation.
• We’ll usually guarantee our quotation for three months.
• The plan document contains the terms and conditions agreed between us and the administering authority. The plan terms and conditions will apply to all plan employers linked to one administering authority.
• The eligibility conditions for the plan will be set out in the plan terms and conditions. You must include all employees when they first become eligible.
• Whilst the plan is in place the administering authority will need to let us know if the LGPS regulations or actuarial basis for calculating the strain cost changes. The administering authority will also need to let us know if anything else changes the way the strain cost is calculated. If we agree to change the plan to take account of the new way of calculating the strain, we may review the premium rates and terms of the plan. We will not be insuring the new basis until the administering authority accepts our terms for the changes.
• Where we need to make changes to the plan terms and conditions, normally we’ll only do this at the end of any unit rate guarantee period. If we do this, we’ll write to the administering authority and the plan employers at least 30 days before we change the terms.
THE POLICY

• The policy contains the terms and conditions that are specific to the plan employer.

• The plan employer meets the cost of the cover.

• We will assess claims in light of the information provided by the employer’s occupational health specialists. If we accept it is a valid claim, we will pay a lump sum to you to cover the strain in accordance with the LGPS regulations in force at the date the plan started.

• The policy will continue indefinitely as long as you meet its conditions, including paying premiums when they are due. For administrative purposes the first day of each yearly accounting period (see question 4) will be considered to be the annual renewal date. At this time we will need information for accounting purposes (see question 4.1). Reviews of premium rates will always take effect from the annual renewal date. Please see Risk Factors on page 4.

• While you continue to pay premiums, we will provide cover and pay all the valid claims you make.

• We’ll give you full details of our cancellation rights in the policy.

• We can change or cancel the plan and your policy if there are changes to legislation or regulation which affects our Ill Health Liability Insurance Plan for Local Government Pension Schemes.

• Where we need to make changes to the policy terms, we’ll normally only do this at the end of any unit rate guarantee period. If we do this, we’ll write to the administering authority and the plan employers at least 30 days before we change the terms.
YOUR QUESTIONS ANSWERED.

In this section we’ve answered some commonly asked questions to give you a bit more information about how the plan and policy will work.

1.0 WHAT SHOULD BE CONSIDERED WHEN DECIDING WHAT BENEFITS TO CHOOSE?

You will normally insure benefits to provide cover for the potential strain on your LGPS fund should an employee become eligible for an ill health early retirement pension.

The maximum individual benefit we will provide is £4,500,000.

1.1 WHO CAN BE COVERED?

For some employees, we will only be able to provide cover subject to them being actively at work or subject to a pre-existing condition exclusion (please see table below).

We can only cover employees who:

• are active members of the LGPS;
• meet the eligibility conditions under the plan; and
• are included in the plan as soon as they meet the plan eligibility conditions.

Our eligibility terms are set out in the table below.

<table>
<thead>
<tr>
<th>ELIGIBILITY TERMS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Whole of fund and partial fund plan</td>
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<td>• All employees who meet the eligibility conditions are covered from the date the policy starts or immediately from the date their employer first participates in the pension fund, if later.</td>
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<td>• With a partial fund plan the employer must also meet the eligibility conditions described in the quotation or plan schedule.</td>
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<tr>
<td></td>
</tr>
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1.2 WHAT TYPES OF COVER ARE AVAILABLE?
The amount of benefit payable will depend on whether the member meets the criteria for tier one benefit or tier two benefit under the LGPS regulations.

If, after the start of the policy, an active member of the LGPS qualifies for tier three benefit, we'll pay a claim for tier two benefit if that member is subsequently reassessed as qualifying for tier two benefit.

The regulations must be those in force at the plan start date or a subsequent date agreed between you and us. Full definitions can be found in the LGPS regulations.

The cover provided is the strain on the pension scheme at the date the member becomes an ill health retiree. This will differ depending whether the member qualifies for tier one benefit or tier two benefit under the LGPS regulations in force at the plan start date or other date agreed between you and us.

As an alternative, you can insure benefits to cover the potential strain above any payment the plan employer makes into the LGPS fund should an employee become eligible for an ill health early retirement.

If a member voluntarily makes additional contributions, any resulting increase in the tier one benefit or tier two benefit funding strain is not covered by the plan.

1.3 WHEN WILL THE LUMP SUM BE PAID?
The lump sum will be paid to you in the event that one of your members becomes an eligible ill health early retiree causing a strain on the LGPS. See question 5.

1.4 WHEN WILL COVER END?

a) Under normal circumstances
Cover for a member normally ends:
• when they stop being an active member or are no longer eligible to be a member;
• when they reach the benefit termination date set out in the plan;
• if they retire early for a reason other than an event that triggers benefits to be paid from the policy;
• when they receive tier one benefit or tier two benefit;
  Please see question 1.2 for more details
• if they are no longer employed by their plan employer
• if they die before benefit starts being paid.

b) If you, or we, cancel the cover
All cover will end when you, or we, cancel the policy.

• We'll continue your cover as long as you meet the conditions we show in the policy.
• You can cancel the policy by letting us know in writing.

We'll give you reasonable notice in writing if we have to cancel the policy because you haven’t met its conditions. We’ll give you full details of our cancellation terms in the policy document.

The plan will remain in force provided there is at least one plan employer participating in the plan and there’s a minimum plan membership of 25.
2.0 HOW DO I SET UP A POLICY?

2.1 WHAT ARE THE REQUIREMENTS TO SET UP A POLICY?

The administering authority must first set up a plan. Each employer joining the plan and becoming a plan employer must send us a completed proposal form and the first premium within 14 days of the date we agree to provide cover.

To protect you and us from financial crime, we may need to confirm your identity. We may do this by using reference agencies to search sources of information about you (an identity search). This will not affect your credit rating. If this search fails, we may ask you for documents to confirm your identity.

2.2 WHAT MEDICAL EVIDENCE IS NEEDED BEFORE EMPLOYEES CAN BE COVERED

We don’t normally need any medical evidence for any of the employees to be covered. Our quotation will show if we need medical evidence.

An actively at work requirement or pre-existing condition exclusion may apply to employees. Please see section 1.1 for more details.

3.0 WHAT PREMIUMS WILL YOU CHARGE FOR THE COVER?

The premiums we charge will be based on the information provided in respect of the plan agreed with the administering authority. The key factors we use to work out premiums include:

- the salary of the eligible employees that is used in calculating the potential strain under the pension scheme. We refer to this as plan earnings;
- the age and gender of eligible employees;
- where the eligible employees work; and
- the number of employees who have previously retired due to ill-health. We call this the claims history.

3.1 HOW WILL YOU WORK OUT THE PREMIUMS?

We will work out a unit rate as the cost of providing each £100 of the total earnings to be insured under the plan (the aggregate plan earnings). We will apply that unit rate to the aggregate plan earnings when cover starts. Subsequent changes in the unit rate will be applied at the beginning of the following plan year.

If it’s an employer choice plan we’ll issue a separate invoice to each plan employer.

3.2 WILL THERE BE ANY UNEXPECTED EXTRA PREMIUMS?

We’ll usually guarantee the unit rate until the end of the second plan year. We will then review this, following which, we will usually guarantee the unit rate for a further two years (as described in the section ‘Risks’). However, we may change the unit rate if we are asked to change the insured basis.

3.3 HOW MUCH COMMISSION WILL YOU PAY OUR ADVISER?

We will pay commission to your adviser as a percentage of each premium you pay. The standard is 10%. We can provide for different levels of commission although this will affect the premium we charge. Our quotation will show the commission rate we’ve allowed for.
4.0 HOW DOES THE ACCOUNTING WORK?
We’ll work out the accounts at the start of the policy and then every year at a date we call the annual renewal date.
You’ll need to pay us premiums in advance, either yearly or monthly.
You can pay yearly premiums by cheque or by BACS.
Monthly premiums can be paid by direct debit or BACS. Yearly premiums are normally lower than the total of 12 monthly premiums.
Until we receive accurate information, we will charge approximate premiums. Once we have worked out the accurate premium, you will have to pay, or we will refund, any difference between the approximate and accurate premiums.

4.1 WHAT INFORMATION IS NEEDED FOR ACCOUNTING?
Every year we’ll ask for information showing the plan earnings for each member at the annual renewal date.
Whenever we need to review the unit rate we’ll ask for information showing the strain cost for each member and the claims history. This should reach us at least four months before the annual renewal date. The strain cost information should be no more than 18 months old and the claims history no more than three months old.

4.2 HOW DO YOU ADJUST PREMIUMS FOR MEMBERS WHO JOIN, LEAVE OR HAVE BENEFIT INCREASES DURING THE PLAN YEAR?
The policy operates on a ‘simplified accounting’ basis where we adjust premiums at the end of each plan year based on the assumption that all changes in membership took place midway through the year. Any extra premium or refund will be paid at the beginning of the next plan year. This is generally known as ‘sweep up accounting’.

4.3 IF YOU OR WE CANCEL THE POLICY MID YEAR, WILL WE LOSE ANY PREMIUMS WE HAVE PAID IN ADVANCE?
No. We’ll work out a final account for the cover we’ve provided up to the policy’s cancellation date. We will either send you a refund or you will immediately have to pay us any premiums you owe.

5.0 HOW DO WE MAKE A CLAIM?
For us to pay a claim, the fund must have a strain liability caused by a member retiring early due to ill-health. We’ll need suitable evidence of the ill health retiree event and the amount required for payment to the fund. We will also need evidence that the correct process has been followed to determine the event in accordance with the LGPS regulations that we’ve agreed to cover under the plan.
We may subsequently ask for additional evidence on a case by case basis.
We’ll only pay a claim if we agree that assessment of the ill health retiree satisfactorily meets the LGPS regulations that we’ve agreed to cover.
You will need to provide us with a claim notification form. Ideally, this will be within four weeks of the member being retired early due to ill health, or the date the decision to retire the member early was taken, if this was later. We may not pay a claim if this is received later than 90 days after this. A claim may not be accepted if it is made more than eighteen months after a policy is cancelled.
We aim to pay benefit within five working days of receiving all the information we need to confirm a claim.
In the event of a dispute of the claim, you may have the right to refer to the Financial Ombudsman Service. See page 14 for their contact details.
6.0 CAN YOU COVER AN EMPLOYEE WHO IS NOT BASED IN THE UK?

We will need full details of any overseas employees as we need to assess if we can cover them and if we need to change our standard terms. We will not provide any cover for overseas employees until we've assessed their details and told you of any additional terms for their inclusion.

We won’t usually set any additional terms to cover UK based employees who travel abroad for normal business purposes unless, for example, lots of employees travel together. Please tell us if you have employees who travel aboard on business so we can confirm our terms.

7.0 WHAT TAX RULES APPLY?

Our understanding of the current tax rules for this type of policy is as follows:

- there is no ‘benefit in kind’ charge for the individual members;
- if you are a trading company, you should receive a tax deduction for the payment of the premium, provided it is wholly and exclusively for the benefit of its trade;
- you will not be taxed on the receipt of the lump sum; and
- the payment of the ill-health pension to the individual member from the pension scheme will be subject to income tax in the normal way as any other pension payment to members.
FURTHER INFORMATION.

PROVIDING INSURANCE

Ill Health Liability Insurance Plans for Local Government Pension Schemes and policies are provided by Legal & General Assurance Society Limited. Our principal office for the purpose of the policy is at:

Legal & General House
Kingswood
Tadworth
Surrey
KT20 6EU

0345 072 0751
We may record and monitor calls. Call charges will vary.

QUESTIONS AND COMPLAINTS

If you have any questions or complaints, please speak to your adviser who arranged this policy for you.

If you then need to speak to us, you should call us or send the details of your question or complaint to the Managing Director, Group Protection. You can find our contact details at the back of this technical guide.

If we can’t settle the complaint you may be able to refer it to the Financial Ombudsman Service. You can find their contact details at the back of this technical guide. Making a complaint won’t affect your right to take legal action.

COMPENSATION

You may be entitled to compensation from the Financial Services Compensation Scheme (FSCS) if we cannot meet our liabilities. You can find out more about the amounts and eligibility from the FSCS. You can find their contact details at the back of this technical guide.

LAW

The policy is governed by English law.

Under our policy, members do not have any rights under the Contracts (Rights of Third Parties Act) 1999. This means they do not have to be involved in decisions about the insurance provided by the policy.

References in this guide to the tax treatment of premiums and benefits are based on our current understanding of law and HMRC practice, which may change.

LANGUAGE

All communications from us, including our terms and conditions, will only be available in English.

INDUSTRY REGULATION

We’re authorised by the Prudential Regulation Authority (PRA) and regulated by the Financial Conduct Authority (FCA) and PRA. We’re entered on the FCA’s register under number 117659. You can check this on the Financial Services Register by visiting the FCA’s website:

www.fca.org.uk/register

or telephone them on

0800 111 6768

This technical guide is for commercial customers as defined in the Financial Conduct Authority’s Insurance: Conduct of Business sourcebook (ICOBS).
GLOSSARY.

Our terms explained.

**Actively at work**  This means the employee must be in full active employment, physically and mentally able to perform all the duties associated with their normal job as an employee on the day the cover is due to start.

**Active member**  An employee continuing to build up benefits within the Local Government Pension Scheme.

**Administering authority**  The regional authority that has established the plan.

**Aggregate plan earnings**  The total earnings of all the members who are included in the plan.

**Annual renewal date**  The anniversary date of when the plan starts or another yearly date that we’ve agreed with the administering authority.

**Benefit termination date**  The last date to which we’ll pay benefit, or provide cover for a member.

**Employer choice plan**  Type of plan where each employer can take out their own policy.

**Gainful employment**  Paid employment for not less than 30 hours in each week for a period of not less than 12 months.

**Member**  An employee included for benefits within the Local Government Pension Scheme and covered by the plan.

**Normal pension age**  The age a member will normally take their benefit as defined in the Local Government Pension Scheme.

**Partial fund plan**  Type of plan where the administering authority takes out a policy covering a defined group of employers.

**Pension fund**  The pension fund of the Local Government Pension Scheme that the regional authority administers.

**Plan**  The Ill Health Early Retirement plan for Local Government Pension Schemes that applies to the administering authority.

**Plan earnings**  The salary of the members that is used in calculating the potential strain under the pension scheme.

**Plan employer**  A local government employer who is a included in the plan.

**Plan start date**  The date the plan started.

**Plan year**  The year that starts and ends on the annual renewal date.

**Policy**  The legal contract between you and us that outlines the basis of the insurance in place. The policy makes references to the plan terms and conditions.

**Pre-existing condition exclusion**  We won’t pay benefit in respect of a member who already qualifies for tier one benefit or tier two benefit at the date their employer’s cover started in the plan.

**Strain**  This is the extra cost to the fund of the employee retiring early. The pension fund actuary will calculate the strain cost under the pension scheme.

**Tier one benefit**  An illness or injury where the member is permanently incapable of obtaining any gainful employment before reaching their normal pension age.

**Tier two benefit**  An illness or injury where the member is not capable of obtaining any gainful employment within three years of leaving employment with the employer, but is likely to be able to do so before reaching their normal pension age.

**Tier three benefit**  An illness or injury where the member has a reasonable prospect of obtaining any gainful employment within three years of leaving employment with the employer.

**Unit rate**  This is how we work out the cost of a policy. We’ll work out the cost for each £100 of cover and multiply this with the total plan earnings or total benefit for the policy. We’ll tell you the unit rate in our quote.

**Whole of fund plan**  Type of plan where the administering authority takes out a policy covering all employers.
# CONTACT DETAILS

## GROUP PROTECTION PRINCIPAL OFFICE

Managing Director, Group Protection  
Legal & General Assurance Society Limited  
Legal & General House  
Kingswood  
Tadworth  
Surrey  
KT20 6EU

## FINANCIAL OMBUDSMAN SERVICE

If we can’t resolve a complaint you may be able to refer it to:  
Financial Ombudsman Service  
Exchange Tower  
London  
E1 9SR

## FINANCIAL SERVICES COMPENSATION SCHEME

7th Floor, Lloyds Chambers  
1 Portsoken Street  
London  
E1 8BN

### Contact Information

**0345 072 0751**  
We may record and monitor calls. Call charges will vary. Lines are open from 8.30am to 5.30pm Monday to Friday.

**0800 023 4567**  
or  
**0300 123 123** (free for mobile phone users paying a monthly charge for calling phone numbers beginning with 01 or 02).

**group.protection@landg.com**  
www.legalandgeneral.com/workplacebenefits

**complaint.info@financial-ombudsman.org.uk**  
www.financial-ombudsman.org.uk

**enquiries@fscs.org.uk**  
www.fscs.org.uk

Legal & General Assurance Society Limited  
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