

Executive Income Replacement Plan

Key Features

Your questions answered

Executive Income Replacement Plan

Key Features - your questions answered

This key features document gives you the main points about the income protection plan you're considering for your employee. You should read it carefully together with any illustration of the benefits and costs. Please keep them with your other Plan documents.

This key features document follows the Association of British Insurers' Statement of Best Practice for Income Protection Insurance.

Aims

- To provide your employee with a regular monthly benefit if they suffer illness or injury limiting their ability to work and leading to a loss of earnings. The benefit is intended to replace your employee's lost earnings.

Your commitment

- To ensure that both you and your employee give us all the information we ask for when applying for your Plan and when claiming benefit. If you don't do this we may not pay the benefit.
- To pay all the premiums we need for the length of the Plan.
- To tell us if your employee takes a career break or if they become unemployed.
- To tell us of any claim within the time limits we set.
- To select an appropriate level of cover and review it regularly to make sure it is enough for the needs of your employee but not more than we will pay under the terms and conditions of the Plan.
- To inform us of any change in your employee's health between the date of your application and notification that we have issued your Plan.

Risk factors

- Your employee won't be covered if you don't pay premiums on time. However, you don't need to pay premiums when you're receiving benefit.
- The cover may be less than is needed if you don't review it regularly to keep it in line with your employee's earnings. However, if their cover is more than you are allowed to claim under the Plan, then we will reduce your benefit. We won't refund any premiums if this happens.
- The benefit we pay under the Plan which you then pay to your employee may affect your employee's claim to some means-tested State benefits. However, their entitlement to State Incapacity Benefit won't currently be affected.
- State benefit rules may change.
- You may choose between reviewable and guaranteed premiums. If you choose reviewable premiums we may change your premiums in the future because of factors such as our claims costs (see "Premiums" in Section 3 of the Plan's terms and conditions).
- If you do not provide any information we ask for, or if the information you provide is untrue, incomplete or misleading, we may not pay out benefit.
- Certain causes of claim will not be covered (see "When will the Plan not pay out?" on page 8).
- Your Plan has no cash-in value at any time.

Questions and answers

What is a Unum Executive Income Replacement Plan?

This Plan provides employees or directors of a company with a monthly benefit if they suffer illness or injury limiting their ability to work and leading to a loss of earnings. You select the features of the Plan to make sure the cover is right for your employee.

- You decide:
 - the amount of benefit you need
 - how soon you would like the benefit to start
 - how long you want the cover to last
 - how long you need the benefit to be paid
 - whether to pay guaranteed or reviewable premiums.
- You pay regular premiums to keep the cover in force.
- We provide cover until your Plan ends no matter how many claims you make (but see also "Claiming again after returning to work" on page 7).
- You tell us when illness or injury limits your employee's ability to work.
- We pay you a monthly income for as long as the claim is valid. This may be verified by regular assessments of your employee's fitness for work.
- You tell us when your employee's illness or injury is no longer preventing them from working.

How do I select the Plan's features so that it meets my needs?

This section deals with the choices you make when setting up your Plan.

The amount of benefit that can be paid

You choose the amount of benefit you will need to fund your financial commitment to your employee during their incapacity.

You can select any amount up to 75% of your employee's earnings less the State Long Term Incapacity Benefit for a single person as the benefit you want your employee to receive during their incapacity.

This is subject to a maximum initial level of cover of £200,000 per year.

When choosing the amount of cover, remember that, if you claim, benefit will be restricted if the total of:

- the earnings the employee continues to receive (including the taxable value of certain non-cash benefits - or benefits in kind - you provide if you ask us to insure them at outset)
- the long term benefit payments received from us and all other insurance providers during the employee's incapacity
- any early retirement pension payments made to the employee
- the State Long Term Incapacity Benefit for a single person

exceeds 75% of the employee's pre-tax earnings assessed under Pay As You Earn (PAYE) in the 12 months before the employee's ability to work was restricted due to illness or injury.

You can also protect the additional costs associated with continuing to pay the employee during incapacity. You can insure the employer's National Insurance contributions you would have to pay. The amount you choose should be based on the amount you expect to pass on to the employee through PAYE, not their current salary.

You can also insure the pension and life assurance premiums in respect of the employee to approved schemes that you will continue to make during their incapacity. The amount you select should be no more than a third of the employee's current salary and no more than £50,000.

The earnings upon which to base your cover

These are pre-tax earnings assessed under PAYE in the 12 months before your employee's ability to work became affected by illness or injury, including the taxable value of the following non-cash benefits known as benefits in kind if you provide them:

- living accommodation where your employee lives and pays Council Tax
- company car when used for private use
- car fuel when provided for use with your employee's company car
- beneficial loans, excluding loans for travel tickets
- Medical Insurance such as Critical Illness Insurance, Private Medical Insurance and accident and travel Insurance.

Increasing your cover

Your cover will increase automatically each year in line with the Retail Prices Index up to a maximum of 12%.

Your cover can increase each year until it reaches a maximum level of £400,000 a year in relation to salary, plus, if applicable, a further £200,000 a year to cover employer's National Insurance contributions and pension and life assurance costs.

We will increase your premium when your cover goes up (regardless of whether you have selected guaranteed or reviewable premiums - see changes to your premium payments on page 8).

We'll write to you beforehand to tell you about the increase and confirm the revised premium. You can choose not to accept any increase. If you decide not to take up two consecutive increases, we won't write to you again offering this. You may ask us later to increase your cover but we'll need new information about your employee's health, occupation and finances before we agree to do so.

You may also choose to increase your cover on special occasions under the Guaranteed Insurability Option (see "What other features are there?" on page 9).

You can apply to increase your cover at any other time, but you would need to give us information about your employee's work and hobbies, together with satisfactory evidence that they are still in good health, before we agree to make changes to your cover.

Automatic increases to your benefit payments

You may choose at the start of your Plan for the benefit you receive to increase each year from the anniversary of the date on which any claim becomes payable. You can choose for your benefits to increase by 5% each year or in line with the Retail Prices Index (up to a maximum of 12%). Your premium will be higher if you select this option.

When your claim payments stop, your cover and premiums will go back to what they were before your claim was accepted.

When benefit payments start

There will be a period following the start of your employee's illness or injury, which limits their ability to work, for which we don't pay benefit. This is known as the "deferred period". You can choose from 4, 8, 13, 26 or 52 weeks. The longer the deferred period, the lower the cost of your Plan will be.

Your choice should allow for any earnings that your employee expects to continue after they stop working, such as sick pay.

How long the benefits can be paid

If you have a claim we will pay benefit until one of the following happens:

- your employee's illness or injury no longer prevents them working
- your employee no longer has a loss of earnings
- your Plan ends
- benefit has been paid for the original benefit period you chose which can be two, three or five years, or up to the date your Plan ends
- your employee dies.

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How long the cover should last

You choose for your Plan to end when you think your employee would no longer need the benefits, but no later than their planned retirement date. Your Plan is designed to last at least five years and your cover must end by the time your employee reaches age 70.

Medical and other details we may need

Your application will include questions about your employee's health, finances and other personal circumstances. At our expense, we may also ask for a report from your employee's doctor or for tests to check their current state of health.

What other benefits can I choose

Extra benefit with Disability Plus

You can choose the Disability Plus Option at the start of your Plan.

This gives you 20% more benefit after your employee has received benefit for two years and their illness or injury stops them doing a number of specified activities that they have to perform in their work and daily life. We describe these activities in the Plan's terms and conditions - see "Disability Plus" in Section 4.4. The maximum benefit rule (limiting payments to 75% of pre-incapacity earnings less single person's State Incapacity Benefit) would no longer apply in these circumstances.

How flexible is it?

This section deals with choices you can make once your Plan has started.

Regular review of your cover

You should consider how your employee's earnings and living costs have changed since you last reviewed your cover.

If you wish to increase your cover by more than any automatic options provided by your Plan, we will need new information about your employee's health, occupation and finances before we agree to change your cover. Your premiums to us will increase.

You should also contact us if you wish to reduce your cover. Tell us how much you want to reduce your cover by and we will reduce your cover and the amount you pay.

Suspending your cover

Career break

If your employee stops working or takes a career break you can suspend your cover for up to one year provided we agree beforehand. Your cover and premium payments will stop until you re-start your Plan. Your employee doesn't have to give us any further medical information when your cover starts again (see "Periods of unemployment - Career break" in Section 4.6 of your Plan's terms and conditions).

Change of occupation

After the Plan starts you don't need to tell us if your employee changes the type of work they do unless they are claiming benefit. You should tell us if they have a new employer (see also the section "What other features are there?" on page 8).

When will the Plan pay out?

When to claim

You can claim benefit when your employee's ability to work is limited because of illness or injury and this results in a loss of earnings.

Benefit payments will not start before the end of the deferred period (see "When benefit payments start" on page 5). But it is important that you do not wait until then to let us know about your employee's illness or injury. Please let us know as soon as you think their illness or injury might result in a claim. We will then be able to start the assessment process (see page 7) and ensure we are in a position to start your benefit payments on time.

How to claim

Contact us to ask for a claim form at:

**Unum,
Milton Court,
Dorking,
Surrey RH4 3LZ.**

Telephone: 01306 887766

The deadline for claiming

Tell us as soon as possible but:

- for 4 week deferred periods, 2 weeks from when they are first incapacitated
- for 8 and 13 week deferred periods, 4 weeks from when they are first incapacitated
- for deferred periods of more than 13 weeks, tell us 10 weeks from when they are first incapacitated.

We may refuse to pay a claim if you don't tell us within 90 days following the end of the deferred period.

The extent of incapacity

Our usual definition of incapacity is "the employee is unable by reason of illness or injury to perform the material and substantial duties of their occupation".

Material and substantial duties are those normally done in your employee's occupation and which cannot reasonably be left out or changed by you or your employee.

Please note that occupation is not restricted to one place of work.

Where we are unable to provide cover based on our usual definition of incapacity we might apply another definition which is "your employee is unable to perform the material and substantial duties of their own occupation and any other occupation for which he or she is suited by reason of education, training or experience". We'll write to you before the start of your plan to tell you if a different definition applies.

If you keep your cover going while your employee is not working, we will pay benefit if they are unable to do certain physical tasks or if they suffer serious mental illness (see "Cover while not in occupation" on page 9).

How we assess your claim

We'll look at the duties of your employee's occupation, their ability to do them, and whether adjustments can be made to help them. We'll also ask for evidence of your employee's loss of earnings.

We'll need evidence that they are under the care of a registered Medical Practitioner. We'll also need confirmation that all suitable treatment options have been investigated. We might ask them to have an examination or undergo tests. Depending on the definition of incapacity which applies to them we may need evidence of their relevant education, training and work experience to assess their ability to do another occupation.

You'll qualify for benefit if your employee meets the definition of incapacity described in "The extent of incapacity" on page 7.

How long the benefit is paid

Your benefit will be paid until the first of the following happens:

- your employee recovers or their illness or injury no longer prevents them working
- your employee no longer has a loss of earnings
- your Plan ends
- benefit has been paid for the benefit period you originally chose which can be 2, 3, 5 years, or up to the date your Plan ends
- your employee dies.

Claiming again after returning to work

There is no limit to the number of claims you can make unless you have chosen cover that provides a specific number of benefit payments. In that case, once the cumulative total of the benefit payments reaches the limit you have chosen, you will not be able to make another claim.

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You must restart premiums when your claim ends so your cover is maintained. Your cover and premiums will be at the same level as before you claimed.

If you need to claim again for the same cause within 12 months of your employee returning to work then the deferred period won't apply. Your benefit will be at the same level it was at before you claimed.

Returning to part-time or less well paid work

If, because of your employee's illness or injury, they can only return to work part-time or on a lower salary, we'll pay you a lower benefit, which takes account of their reduction in earnings.

How benefits are paid

Benefits are payable at the end of each month and will start from the end of the deferred period.

Premium payments when claiming

You should continue to pay premiums until we accept your claim. However, you don't need to pay premiums to us while benefit is being paid.

Other income which may reduce your benefit

We'll reduce your benefit if any of the following take your employee over the maximum we will allow (which is explained in "The amount of benefit that can be paid" on page 4):

- continuing payments from their employment - such as sick pay
- pension payments - unless they would have received them if they were still working
- other insurance benefits - if they are payable for more than two years and arise because of their incapacity and either provide regular payments to them or make regular payments on their behalf - such as mortgage payments.

If the benefit is reduced we won't refund any of your premiums.

We won't reduce the benefit if your employee receives

- Social Security benefits
- Income Support or other means-tested State benefits. However, benefit payment from your Plan may affect their eligibility for, or the amount of, means-tested State benefits
- investment income from savings and investments.

When will the Plan not pay out?

We may apply special terms in some cases. If so we'll tell you before you start your Plan.

If you claim and your employee lives outside the United Kingdom or any of the countries listed in the policy terms and conditions, benefits will be paid for no more than six months (see Section 6.2 of the Plan's terms and conditions).

You cannot claim if your employee wasn't in paid work when they became incapacitated, unless you notified us in writing that you wish to effect the "Cover while not in occupation" option (see page 9).

You cannot claim just because your employee no longer works for you.

What other features are there?

Your employee can arrange with you to transfer this Plan to a new employer, or take out their own policy for income replacement, if they leave you and have another job to go to. They don't need to give us any medical information if they apply for the same or less cover within 28 days of leaving. Their cover will then be based on the terms and conditions we then offer.

Guaranteed options to increase cover on special occasions.

You have the option to buy further cover at specific times until your employee reaches age 55 when they:

- marry
- have children
- increase their mortgage
- receive a salary increase of at least 10% following a significant promotion or achievement of a professional qualification.

You can do this without having to provide evidence that your employee is still in good health.

A nominal death benefit

If your employee dies during the first 12 months of a continuous period of claim and their death is as a result of the same illness or injury, we will pay 12 times the last monthly benefit paid, less the benefit already paid.

Cover while not in paid occupation

This provides cover while your employee is not in a paid occupation. We will pay benefit if your employee is unable to do certain physical tasks or if they suffer serious mental illness. You will find details in the Plan's terms and conditions (see "Periods of unemployment – Cover while not in occupation" in Section 4.7 of the Plan's terms and conditions). The maximum payable will be the benefit under the plan immediately before the option was exercised.

World-wide cover

The Plan is only available to UK residents. But we will cover your employee if he/she travels or moves to anywhere in the world, as long as medical evidence is provided by a doctor in one of the countries listed in the Plan's terms and conditions (see Section 6.2 of the terms and conditions). The list includes most member states of the European Union, Japan, Australia, New Zealand, USA and Canada.

Please refer to Section 6.2 of the Unum Executive Income Replacement Plan Terms and Conditions for a full list of Countries and details of restrictions which may apply in the event of a claim while overseas.

Access to rehabilitation services

When you receive benefit our team of Vocational Rehabilitation Consultants can provide practical solutions to enable your employee to return to work. The Consultants include a range of health and vocational rehabilitation specialists with a wealth of experience and can give you advice about the benefits your employee is entitled to and how they can return to work.

You will find full details of all these other benefits in the Plan's terms and conditions (see "Benefits" in Section 4 and "Claiming benefit" in Section 6).

What will my premium payments be?

Your premiums depend upon factors such as your employee's age, gender, occupation, pastimes, medical history and on the level and features of the cover you choose. They also depend on whether you chosen to pay guaranteed or reviewable premiums.

Your illustration will show the normal cost of the cover you have chosen. We'll confirm the actual cost you'll pay once we have assessed your application.

You must pay premiums by direct debit, either monthly or yearly.

Changes to your premium payments in the future

If you choose guaranteed premiums, the cost of your cover will only change if you increase your cover in line with the Retail Prices Index, or if you change your cover to meet your changing needs (see "Increasing your cover" in Section 5 of the Plan's terms and conditions).

If you choose reviewable premium payments, the premiums that you pay under this Plan may change in the future because of such factors as:

- our expectations for future claims;
- our expectation or experience of investment returns on premium income;
- our expectation or experience of expenses; and
- changes in taxation which we are liable to pay.

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We will write to you beforehand to tell you of any change. This change would apply to all the people who hold a reviewable Plan of this type, not only you.

What happens to the Plan if your employee dies?

There is a small death benefit (see "What other features are there?" on page 8). Your Plan will come to an end. We will not refund any premiums.

What are the charges?

The premiums shown in your illustration include all the costs of administration, underwriting, claims and selling expenses, commission paid to your adviser (if any) and the fees payable for any medical examinations in the United Kingdom, which we ask your employee to attend.

What if I stop paying premiums?

You can stop your cover at any time but we can't.

You can stop paying premiums for up to 12 months because your employee takes a career break or decides to raise a family. You can start your cover again when your employee returns to work without providing medical information (see "Periods of unemployment – Career break" in Section 4.6 of your Plan's terms and conditions).

If you pay your premiums yearly and decide to stop part way through the year we will refund part of your premium.

If you pay monthly premiums and stop paying your Plan and cover will end. You won't get any money back.

Does the Plan have a cash-in value?

Your Plan has no cash-in value at any time.

What about tax?

Under present United Kingdom tax law and Her Majesty's Revenue and Customs (HMRC) practice, premiums usually qualify for tax relief as a deductible business expense. Any benefits received are fully taxable as business receipts. When the benefits are passed to the employee, they are treated as a business expense, and income tax and national insurance contributions are deducted through the PAYE system.

The taxation treatment of income replacement plans may change in the future.

The tax position may be different if you receive benefits and your employee doesn't live in the United Kingdom.

Can I change my mind?

You have the right to cancel within 30 days of receiving your Plan documentation.

After we accept your application and issue your Plan, we'll send you a Cancellation Notice. If you don't want the Plan, you have 30 days to send this Notice back and get a refund on any premiums you have paid.

If you wish to send us a completed Cancellation Notice please return it to the address which can be found on page 11.

Other Information

How to complain

If you ever need to complain, first write to the Customer Relations Manager at:

**Unum,
Milton Court,
Dorking,
Surrey RH4 3LZ.**

If you're not satisfied with our response, you can complain to:

**Financial Services Ombudsman
South Quay Plaza,
183 Marsh Wall,
London E14 9SR.**

Complaining to the Ombudsman won't affect your legal rights.

Terms and Conditions

These key features give a summary of the Unum Executive Income Replacement Plan. They don't include all the definitions, exclusions, terms and conditions.

If you'd like a copy of the full terms and conditions before you decide to apply for a plan, please ask your financial adviser or contact us direct.

We have the right to change some of the terms and conditions of your Plan because of changes in the law or taxation. We'll write and explain if this happens.

Unum Limited issues the policy.

All our documents and correspondence with you will be in English.

Law

The policy is governed by the laws of England and any dispute is subject to the sole jurisdiction of the English Courts.

Compensation

Compensation may be available under the Financial Services Compensation Scheme (FSCS) if we are unable to pay any monies due. It is designed to help protect you if Unum becomes insolvent.

Compensation for long term insurance contracts is limited to 100% of the first £2,000 and 90% of any remainder due under your Plan.

Further information is available from the FSCS at www.fscs.org.uk or by calling 020 7892 7300.

Our regulator

Unum Limited is authorised and regulated by the Financial Services Authority.

Our firm reference number (FRN) is: 110408

You can verify these details by contacting the Financial Services Authority on: 0845 606 1234 or visit

www.fsa.gov.uk/register

ABI Statement of Best Practice

The Association of British Insurers (the ABI) is the trade association for insurance companies in the United Kingdom. Its members account for virtually all of the life insurance and pensions business written in the UK.

This document follows the ABI Statement of Best Practice for Income Protection Insurance. You can get a copy of the ABI Guide to Income Protection from us or from the Association of British Insurers, 51 Gresham Street, London, EC2V 2HQ. Telephone: 020 7600 3333.

www.abi.org.uk

How to contact us

Remember your financial adviser will normally be your first point of contact. We are not allowed to give you financial advice.

If you have any questions at any time, you can phone, send a fax or you can write to us.

Call us on: **0117 910 7733**

Monday - Friday, 8am - 6pm

Textphone: **01306 887784**

Monday - Friday, 9am - 5pm

Fax number: **0117 910 7734**

Office address: **Unum,
PO Box 7733,
Redcliffe Way,
Bristol BS99 1PJ.**

About Unum

Unum is the UK's leading provider of income protection insurance, with over 35 years of experience.

We enable individuals to protect their lifestyles, ensuring their financial security if they become unable to work because of illness or injury. In addition, our income protection customers benefit from our expertise in the specialist areas of vocational rehabilitation and return-to-work. For employers, we safeguard one of their most valuable resources by helping employees return to work following long-term absence.

At the end of 2006, Unum protected almost 2 million people. During 2006 we paid total benefit claims of £285 million – of which more than £191 million related to income protection benefits.

Our US parent company, Unum Group, traces its history back to 1848 and is today the market leader of group and individual income protection insurance in the United States. Premium income for Unum Group and its subsidiaries exceeded \$7.9 billion in the year ended 31 December 2006. Total assets were \$52.8 billion at 31 December 2006.

For more information visit
www.unum.co.uk

www.unum.co.uk

Unum Limited is authorised and regulated by the Financial Services Authority.
Registered in England 983768.

We monitor telephone conversations and e-mail communications from time to time for the purposes of training and in the interests of continually improving the quality of service we provide.

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