Select long-term disability insurance

Your Company funded long-term disability benefit

The Aon long-term disability scheme, currently insured with Unum Ltd (Unum), helps provide income protection for employees unable to work due to a long-term injury or illness. All permanent employees are covered by the scheme. You can find more details about how the scheme works on Upoint. Select gives you extra flexibility around this benefit.

Your Select options

Through Select you can choose the level of cover you need to suit your own circumstances. The three options available are:

- reduce cover – 50% salary, less fixed deduction*
- maintain Company funded cover – two-thirds salary, less fixed deduction*
- increase cover – 75% salary, less fixed deduction*

*In the event of a claim for benefit, salary is defined as your basic annual salary (notional salary if you have chosen other Select benefits) at the date you were first absent. The Free Cover Level for this scheme is currently £180,000 of total benefit. This means that if the total benefit cover you require, taking into account your selected level of cover, exceeds £180,000 total benefit, you will need to provide evidence of your health to the insurer before the additional cover starts. You will be advised if this applies to you. The fixed deduction is equivalent to the State Employment and Support Allowance applicable to a single person, which is currently £3,801.20. You may be able to claim State benefits in addition to benefit from the Aon scheme if you become ill or incapacitated. However, the deduction is an automatic fixed element of the scheme benefit formula, which applies even if you do not claim or qualify for State benefits.

For example, if you do not have any dependants or you are not the main breadwinner in your family, you may feel that the lower benefit would provide enough income if you could not work for a long period. If you reduce your cover you will receive additional salary, which you could use to buy another Select benefit more relevant to your situation, or you could just take it as extra cash.
Alternatively, you may wish to provide a higher level of security for you and your family in the event of a prolonged illness or incapacity. If you increase your cover, your gross salary will be reduced to reflect the additional cost.

You cannot reduce your cover to zero, as Aon believes you should keep at least a minimum level of protection.

**What does it cost?**

The cost is based on your age at the start of the scheme year, i.e. 1 January. The table below shows the monthly age-related costs for each £1,000 of member’s benefit.

Funding for your Company provided level of benefit (two-thirds salary, less fixed deduction) is included in your flex fund. If you choose to flex your cover, the actual cost/credit to you is the difference between the cost of the Company funded cover, paid by Aon, and the cost of your chosen level of cover. If you keep the Company funded level of cover, there is no adjustment to your salary.

The salary used to calculate the cost of your cover is your notional salary (i.e. your basic annual salary disregarding any Select choices you have made). The Select cost or credit to you is calculated as at the first day of the annual enrolment period and is fixed for the whole Select year. It will not change, even if your basic salary increases or decreases during the year.

<table>
<thead>
<tr>
<th>Age at start of scheme year</th>
<th>Monthly premium per £1,000 member’s benefit</th>
</tr>
</thead>
<tbody>
<tr>
<td>16-29</td>
<td>£0.17</td>
</tr>
<tr>
<td>30-34</td>
<td>£0.33</td>
</tr>
<tr>
<td>35-39</td>
<td>£0.48</td>
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<tr>
<td>40-44</td>
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<tr>
<td>50-54</td>
<td>£0.90</td>
</tr>
<tr>
<td>55-59</td>
<td>£0.89</td>
</tr>
<tr>
<td>60-64*</td>
<td>£0.43</td>
</tr>
</tbody>
</table>

* Cover stops automatically on attainment of age 65 (or your State Pension Age if higher)
Example
You are 43 years old and your basic salary is £38,000 a year. Your Company funded long-term disability benefit is two-thirds salary less fixed deduction (£21,532.13 a year) but in Select you increase it to 75% less fixed deduction (£24,698.80 a year).

- The cost of your Company funded cover is (£21,532.13 ÷ 1,000) x £0.63 = £13.57 a month
- The cost of your chosen cover is (£24,698.80 ÷ 1,000) x £0.63 = £15.56 a month
- Your gross salary will be reduced by £1.99 a month

Changing your benefit choice

You cannot opt out of the cover completely, but you can change your level of cover once a year at annual enrolment. You cannot change this benefit during the year even if you have a qualifying ‘life event’ that allows you to make changes to other benefits.

If you decrease your cover, you can only increase it by a single step at the next annual enrolment.

Cover will stop automatically on the day your employment with Aon ends or when you reach age 65 (or your State Pension Age if higher), whichever comes sooner. Any claim payments will also cease when you reach age 65 (or your State Pension Age if higher), or any such earlier date as appropriate.

Increasing your cover – special points to note

‘Actively at work’ requirement
All increases in benefit, e.g. if your salary increases or if you apply to increase your cover through Select, are subject to the insurer’s ‘actively at work’ (AAW) condition. This means that if your salary (therefore your cover) increases, or if you choose the higher benefit level, or if you have previously reduced your cover and want to increase it again, you must meet the insurer’s ‘AAW’ condition in order for the extra cover to take effect. ‘AAW’ means you;

- have not received medical advice preventing you from working and you are actively following your normal occupation, AND
- you are working the normal number of hours required by your contract of employment – either at your normal business or at another business location

You are considered to be actively working if fully capable of doing so, if not for a leave of absence previously authorised by your employer, or the requirement for actively working falling on a day you are not contracted to work.

You must be actively at work at the start of cover and for all increases in benefit.
Evidence of health

An insurer’s ‘Free Cover Level’ applies to this scheme, which is currently £180,000 of total benefit. This means that if the total benefit cover you require, taking into account your selected level of cover, exceeds £180,000 total benefit, you will need to provide evidence of your health to the insurer before the additional cover starts. You will be advised if this applies to you. This normally involves completion of a medical questionnaire and sometimes a medical examination. If the increase in cover is declined you will be reimbursed any amounts you have already paid. The medical questionnaire is available on the Select site.

Restrictions on benefit increases

You cannot choose the higher benefit level if you have been underwritten previously for this benefit and you have been notified of a restriction to your insured cover.

Tax and national insurance

If you choose the higher level of cover, your gross salary will be reduced, as shown above. The cost of the long-term disability cover provided by Aon is not a taxable benefit, so there is no income tax or national insurance (NI) payable on the value of the premium. This makes it good value if you increase the benefit.

If you reduce your cover and take extra cash instead, the additional salary will be subject to tax and NI in the normal way.

If you need to claim, any claim benefits will be subject to tax and NI as appropriate.