



Bright Grey Relevant Life Policy

Based in Edinburgh, **Bright Grey** is one of the UK protection businesses of the Royal London Group. Royal London is the UK's largest mutual life and pensions company, with funds under management of £33.5bn. The group employs 2,840 people and serves around 3.6 million customers.

PRODUCT

Bright Grey has developed a standalone "relevant life policy" (RLP) for SMEs. Generally, insurers who offer RLPs do so only as part of a registered group risk scheme, but Bright Grey's approach allows a separate single policy to be set up instead.

An additional advantage for high earners is that the lump sum benefits do not form part of the employee's annual or lifetime pension allowance, which is £1.75m in 2009/10.

The policy is designed to meet the requirements of S 393B (4) (b) of the Income Tax (Earnings and Pensions) Act 2003. Under this, the sum assured must be a lump sum designed to be paid on death before age 75. No other benefits are allowed in order to gain the tax benefits from this type of policy. Benefits must be payable only to an individual or to a charity.

Maximum cover is 15 times the employee's annual salary. This is equivalent to providing up to 4 times salary as death in service benefits and up to 11 times as a lump sum to buy an annuity as an alternative to a widow's or dependant's pension. The product includes access to Bright Grey's Helping Hand service, which includes practical support from Working Transitions (which gives advice and support to find a permanent or replacement for a business's key person).

The minimum term is one year and the maximum is 40 years or to age 75 if earlier. There is no surrender or paid-up value at any time. The maximum benefit is £5m. For sums assured over £1m, a financial questionnaire is required.

Premiums should usually be an allowable expense for the employer but not subject to tax or National Insurance contributions for the employee. Provided that an appropriate discretionary trust is used (Bright Grey makes a suitable wording available free of charge through its website) the only tax implications should be an inheritance tax (IHT) charge every ten years of up to 6% of the value of the trust fund. However, this is likely only to apply if the life assured dies shortly before the tenth anniversary and the payout is still being held by the trust. An exit charge to IHT is also payable on 6% of the value of the fund on appointment of benefits out of the trust to a beneficiary.

DEPENDANTS' LIFE COVER

CONTACT:
0845 609 4500

WEBSITE:
www.brightadviser.co.uk

LITERATURE

Full information is available on the website, including a useful technical note about the relevant legislation and its implications.

WHAT THEY SAY

National partnership manager for business protection Jerry Bayman said: "Many employees of large companies will enjoy the tax efficient benefits of employer provided death in service. However, most group risk providers are reluctant to write schemes for less than five members. And while some employers will pay for the provision of personal policies, particularly for directors, the premiums on these will be taxed back on the employee as remuneration. Relevant life policies avoid this problem and are a highly tax efficient way of providing valuable life cover for dependents. They are not designed to compete with registered group schemes, but to fill a gap in the market. While principally aimed at directors and high earners, they can be suitable for any employee."

WHAT WE SAY

RLPs to some extent make up for the loss of pensions life assurance, which was first allowed by the government, then banned (surprise, surprise) when they proved popular.



Andy Couchman
FCII Cert PFS,
technical editor,
Health Insurance

Bright Grey is, so far, the only provider to offer a standalone RLP, although we expect others to follow. A combination of innovation, simplicity, tax efficiency and Bright Grey's Helping Hands service adds up to a powerful proposition.

RATING

PROS	CONS
<ul style="list-style-type: none"> ✓ Bright Grey is pioneering standalone RLPs ✓ Tax efficiency ✓ Big group scheme benefits but available to SMEs and even a single employee 	<ul style="list-style-type: none"> ✗ Will RLPs go the same way as pensions life assurance if they prove to be too popular? ✗ Lack of competition until other providers also offer standalone RLPs ✗ It is essential to follow the rules to get the full tax benefits

SELECT THIS PRODUCT FOR...

Higher paid directors, business owners and other employees who want high levels of life cover, with the tax and other benefits that normally only apply to large group schemes.

HealthInsurance rating: 8 out of 10