

# GROUP INCOME PROTECTION

## How it Works Product Information Getting a Quote

## How is the cost calculated?

### Introduction

We use two methods for calculating premiums.

A 'single premium' method is used where there are less than 20 people insured.

A 'unit rate' method is used where there are 20 or more people insured.

The premium is calculated, where a single premium basis is used, by multiplying the benefit insured by a rate.

Where a unit rate is used we normally calculate premiums by multiplying the salary roll by a rate.

### Single premium rates

A different rate is used for each individual insured to calculate the premiums due.

The factors that determine the rate we will use for each individual are:

- age
- gender
- occupation
- location of normal place of work
- age the cover is to cease
- deferred period to be satisfied before any claim payments can be made
- annual rate of increase of a claim in payment, if applicable
- premium payment frequency
- definition of incapacity being applied
- level of financial adviser commission payable

### Notes

A new rate is calculated at each annual revision date for each individual insured.

We will use the factors shown, including any changes, each time a rate is calculated.

Group Insurance is not affected by gender discrimination legislation as the individual insured does not pay the premiums being charged.

### Unit rates

One rate is calculated and applied to all individuals insured. The following factors are used in the calculation of the rate:

- age
- gender
- occupation
- location of normal place of work
- age the cover is to cease
- deferred period to be satisfied before any claim payments can be made
- annual rate of increase of a claim in payment, if applicable
- definition of incapacity being applied
- claims history of any previous insured cover
- premium payment frequency
- level of financial adviser commission payable

### Notes

Single premium rates will be used if any additional premiums are charged due to a medical loading being imposed on the whole or part of an individual's benefit.

### General notes

Premiums can be paid annually or monthly by Direct Debit. Premiums paid monthly will be subject to an additional 2% charge.

An administration charge/policy fee is charged on all policies. This is shown separately where single premium rates are used but is included in the rate if a unit rate is used.

The cost of any special policy terms will be included in premium rate calculated.

We guarantee our rates but do reserve the right to re-calculate these in certain circumstances (see the next page of this document for further information).

We may change the method of costing the premiums if the numbers insured increases or drops below 20.

In certain circumstances our underlying rates may change due to amendments which do not break the guarantee in place (see next page of this document for further information).



**Canada Life**  
Group Insurance

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Product Information  
Getting a Quote

## Rate guarantees & factors that may affect this

### Rate guarantees

As standard both our single premium and unit rates are guaranteed for a period of two years.

This period may be adjusted so that the end date links in with the policy's annual revision date.

### Notes

The guarantee does carry various caveats which, if broken, allow us to review the rates used to charge premiums. Please see the next two sections for further information.

### Changes to the policy which may affect the premium rates

We may look to amend our premiums rates, before the end of any guarantee period, if any of the following changes are made:

- the number of individuals or total amount of benefit insured increases or decreases by more than 25% since the last time the rates were reviewed
- cover is required for a new group of people or a company, who are not currently insured by the policy
- cover for a certain group of people or a company is no longer required
- the method used to calculate the benefits insured changes (increases or decreases)
- other aspects of the cover are changed e.g. increase to the cease age
- the location where those insured normally work changes
- if anyone's occupation becomes more hazardous
- the destination of any business travel changes
- changes are made to any linked policies

### External changes which may affect premium rates

In addition to changes to the policy, we may look to amend our premium rates, before the end of any guarantee period if:

- new legislation or regulations relating to state pension age is introduced
- other changes in legislation and regulation or new HMRC practices are introduced
- the basis of calculation, payment or taxation of the State benefits changes
- the basis of calculation of the employer's rate of National Insurance contributions changes or that rate increases by more than £3 per £100 of earnings, and it is covered as a supplementary benefit

### Important information

We also reserve the right to amend our policy terms if any of the changes mentioned in the previous sections take place.

### Other changes which may affect the premium rates

A full review will not be necessary but our premium rates will normally change if any of the following takes place within an existing rate guarantee period:

- the rate of any commission paid is amended
- an intermediary is appointed, changed or dismissed

In both circumstances we will not usually look to extend the guarantee period previously allowed.

### Risks

Failure to advise us of any of the aforementioned changes may cause claims to be declined or rate changes to be applied retrospectively.

Our forms are available to download from our website: [www.canadalife.co.uk/group](http://www.canadalife.co.uk/group)

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