



**Canada Life's
Excepted
Solution**

Guide

Introduction

Group Life Assurance schemes are set up using a trust, which is normally registered with HMRC.

In some circumstances, an employer might decide to use an excepted trust instead. Excepted trusts are not registered with HMRC and are treated differently for tax purposes. Employers would normally have to administer their own excepted trust, but we now have another solution that can help.

What is the Excepted Solution?

The Excepted Solution is a pre-determined excepted trust and rules, with a third party appointed as the trustee. This third party is Trustee Solutions Limited, the same trustees as those under our Master Trust. The trust complies with the requirements for an excepted scheme or individual relevant life policy under the relevant legislation.

Employers who use this solution will become the principal employer and will own the trust, but the payment of claims will be handled by the pre-appointed trustees instead of the employer. We will also make sure the rules of the trust are kept up-to-date in line with any new legislation. Otherwise, the employer will have their own excepted policy, tailored to their needs in terms of benefits and price, with the same market-leading service from Canada Life.



Considerations

What should an employer consider before using the Excepted Solution?

The Excepted Solution might not be the right choice for every employer. For example, the deed and rules are pre-established and cannot be changed based on the employer's circumstances. If there are any doubts about the suitability of the Excepted Solution, employers should seek legal advice to make sure it's the best choice for their organisation.

If an employer decides the Excepted Solution isn't suitable, they can still set up a standard excepted scheme. We provide a range of specimen deeds they can use, available from our website [here](#).

What are the limitations of the Excepted Solution?

As with other excepted policies, the Excepted Solution can only provide lump sum benefits for those insured under the policy. It cannot cover self-insured benefits, benefits insured elsewhere, or death in service pension benefits.

Will there be any tax charges?

All excepted trusts are governed by the Relevant Property regime, which could create entry, periodic or exit charges on any benefits paid. With the Excepted Solution, the trustees will assess any charges if they arise, but the employer will be responsible for making payment.

Employers must tell us about any long term absentees before we start cover to minimise the possibility of these charges. They must also tell us if they're aware of any employee who may be terminally ill at the proposed start of the policy.

What if an employee has enhanced or fixed protection?

As the Excepted Solution operates under an excepted trust, any enhanced or fixed protection that has been granted by HMRC will not be affected.

Pros and cons

We've set out some pros and cons of the Excepted Solution compared to a standard excepted scheme:

Pros

- Pre-appointed trustees deal with difficult decisions relating to claims
- Any potential tax charges are assessed by professional trustees
- Rules are kept up-to-date with legislation, meaning reduced administration
- No additional deeds are required to include associated companies

Cons

- Trust and rules are pre-established and cannot be changed by employers
- The trust is not portable and can only be used with a Canada Life policy
- This may not be suitable where employers have existing long-term absentees, as this could give rise to tax charges

How does it work?

How do employers set up a scheme using Excepted Solutions?

You can set up a scheme by following the steps below:



Complete the [Excepted Solution trust deed](#) template. This template needs to be correctly completed on or before the date cover starts.



Provide a copy of the trust to us along with quote acceptance and any other new scheme requirements we've requested.



Ask employees to complete the [Expression of Wish Form](#). This helps the trustees decide who should receive benefits when a claim is made.

It's important to make sure all sections of the trust template have been completed correctly. The principal employer's name should be inserted in the scheme name section and well as the principal employer section. The rules cannot be changed to suit individual employers. If the Excepted Solution is not suitable, employers should consider using our standard specimen excepted trust.

Can additional companies be included?

We can provide cover for associated companies without the need to complete any other deeds, but this needs to be agreed with us first.

Is there any extra cost for using the Excepted Solution?

Because the Excepted Solution is managed by a third party, we incur a cost for each claim. We'll consider these additional costs when we produce a rate review quote for Excepted Solution policies. All costs are included in the rates we quote, so no additional charges will be made.

What happens if the policy ceases?

The Excepted Solution is only available to Canada Life policyholders, so if cover is cancelled under the policy, the trust will cease immediately. If the employer wants to move cover to another insurer, they will need to use a different trust.

What happens if there is a claim?

The process is similar to a claim under a registered Group Life Assurance policy:

- 1 Complete and submit a claim form, along with the employee's Expression of Wish Form** and any necessary evidence about the employee's circumstances at the time of their death.
- 2 We'll request a completed Family Information Form**, which provides information about the family's circumstances. This will help the trustees make a decision about who'll receive the claim payment.
- 3 If a claim is payable, we'll submit the information to the trustees**, who are wholly responsible for deciding who should receive the benefit. They will make this decision by taking into account the information provided and any investigations into the member's circumstances. They may also ask for a death certificate and a copy of the member's will, if this is available.
- 4 The trustees will assess if there is any potential for entry, periodic or exit charges.** This may mean the assessment takes a little longer than a claim made under other policies.
- 5 The trustees will work directly with the beneficiaries in order to pay the claim**, requesting proof of identity and relationship to the deceased.
- 6 Once the trustees have made their decision we'll pay the benefit directly to the beneficiary** in line with the trustees' instruction.

Frequently asked questions

Is the Excepted Solution effectively an excepted master trust?

No. The Excepted Solution is a normal excepted trust deed that employers can use to establish their own excepted scheme. The trustees are pre-appointed and manage the payment of any claims on behalf of the employer, which makes running the scheme easier. The trustees will work with HMRC to decide whether any charges apply. We'll ensure the rules are kept up-to-date in line with any changes to legislation.

What happens if the Excepted Solution trust deed is not completed correctly?

It's only possible to provide cover under a correctly completed trust deed which has not been changed in any way. Please read the guidance notes carefully, especially regarding the principal employer's name being entered in the section marked 'scheme name'. Cover will be delayed if the trust is not completed correctly.

Who can use the Excepted Solution?

The Excepted Solution can be used by limited companies, limited liability partnerships and equity partnerships. It can also be used to provide spouse and partner benefits.

We recommend that any organisation using this solution should seek independent legal or financial advice to make sure it meets their needs.

Can the Excepted Solution trust be used with another insurer's policy?

No. It can only be used with a Canada Life policy. If cover moves to another insurer, the employer will need to use a different trust.

Can the trust cover more than one employer?

Yes. Only the principal employer needs to complete the trust deed. If other companies need to be included, there's no need to complete another deed. We may have other requirements before we can cover other companies and we must agree to cover them before they can be included.

Can the Excepted Solution be used to cover both spouse partner benefits and benefits for employees?

Yes. It's possible to have different policies for different benefits using one trust. For example, you can set up one policy for spouses and partners and another policy for employees.

Why don't the trustees pay any charges that arise?

The wording in trust protects the trustees from these costs and any other costs that may arise. These would be the same costs the employer would be responsible for if they had appointed themselves as corporate trustee under a standard excepted trust.



Get in touch

We're always here to help. If you have an adviser, you may want to raise your questions with them before contacting us. If you would like to contact us directly, please get in touch using the details below.

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Website

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GRP2200 - 720R(B)

