



Excepted Group Life Master Trust FAQs

Q: What is the Unum Excepted Group Life Master Trust – LAMP (EX)

A: The Unum Excepted Group Life Master Trust is a discretionary trust with independent professional trustee services provided by PTL Governance Limited (PTL).

The Unum Excepted Group Life Master Trust has been set up by our subsidiary Claims Services International Limited (CSI).

The Master Trust allows us to write multiple EGLPs under a single trust. We deal with the ongoing administration of the trust and there are no additional charges to employers who use it.

Q: What are the advantages of the Unum Excepted Group Life Master Trust?

A: The Unum Excepted Group Life Master Trust has been set up to make life simpler for you and your clients:

- **Ready to go** – the Master Trust can be used straightaway, there’s no need to set up a new trust
- **No need for employers to appoint or act as trustees** - professional trustee services are provided as part of the Master Trust (includes responding to any changes in legislation affecting the Master Trust)
- **Provided at no additional charge** – there’s no additional charge for using the Unum Excepted Group Life Master Trust
- **Reduced administration** - we deal with all ongoing trust administration

Q: Who can use the Unum Excepted Group Life Master Trust?

A: The Master Trust can be used by new or existing Unum Excepted Group Life policyholders where benefits are provided for PAYE taxed employees.

The EGLP Master Trust is not available for close companies, partnerships, LLPs or PAYE employees of these organisations.

Your client will be able to use the Trust as long as they have a Unum EGLP. If they cancel the policy, participation in the Trust is also cancelled.

Any benefits from the policy are paid to the trustees who will distribute them to the beneficiaries. The employer will be the policyholder and required to keep the policy up to date as normal, including paying premiums.



Q: How can an EGLP be included in the Master Trust?

A: Each employer must complete a Notice of Participation which can be downloaded from our website.

For new Unum EGLPs (including those switching from another insurer) the Notice of Participation must be completed before the policy goes on risk with Unum.

For existing Unum EGLPs moving to the Master Trust, the Notice of Participation must be completed before the policy can be settled into the Master Trust.

The information needed to complete the Notice of Participation is:

- The participating employer's name
- The date of participation – which must be on or after the signature date
- Signature

A copy of the Notice of Participation should be sent or emailed to Unum.

Q: What are the ongoing responsibilities of the employer once they have joined the Unum Excepted Group Life Master Trust?

A: As the policyholder they will be required to keep the policy up to date, including:

- Paying premiums
- Promptly notifying us of claims
- Providing information about potential beneficiaries in the event of a claim
- Providing information for any tax calculation relevant to the Master Trust

Q: How much does it cost to join the Unum Excepted Group Life Master Trust?

A: There is no additional charge for using the Master Trust

Q: Why can't the employer continue to be in the Unum Excepted Group Life Master Trust if they switch insurer?

A: The Master Trust is only available to Unum Excepted Group Life policyholders as Unum covers the cost of running the Master Trust.

Q: What happens in the event of a claim?

A: Claims should be submitted by the employer.

We will pay any benefits to the trustees who will determine the beneficiaries and distribute the benefit. Please see below for the circumstances in which a deduction for tax may be made.

Q: What tax charges apply under EGLPs?

A: EGLPs are subject to exit and periodic charges.

The periodic charge will apply at the 10 year point if there is a value in the trust at that time. If there is a periodic charge then exit charges may apply to claims in the following 10 years.

For more information please see our Excepted Group Life Policies Technical Bulletin UP3338 09/2018



Q: When will the clock start ticking for the 10 year anniversary?

A: Each employer will be treated as a separate settlor when their EGLP is settled into the Master Trust.

This means that for each employer:

- The 10 year anniversary will run from the date their EGLP was settled into the Master Trust and not the date the Master Trust was created
- Periodic and exit charges are calculated with reference to each separate settlement

For example:

Company A joins the Master Trust on 01.10 2018 - their first 10 year anniversary will be 01.10.2028

Company B joins the Master Trust on 22.11 2018 - their first 10 year anniversary will be 22.11.2028

The IHT position of companies A and B would be dealt with in isolation and the transactions affecting Company A would impact on Company A alone and those relating to Company B will only affect Company B.

Please note that if an employer settles more than one EGLP into the Master Trust (e.g. to cover different benefit bases) on the same day they will be treated as related (rather than separate) settlements for IHT purposes.

Q: What is the situation if an existing EGLP is moved into the Unum Excepted Group Life Master Trust?

A: If an employer takes out a new EGLP with Unum (i.e. where an EGLP was not previously in place) and settles the policy into the Master Trust this would be treated as a new settlement.

For existing EGLPs moved into the Unum Excepted Group Life Master Trust the following would apply:

- If an employer switches excepted group life cover to Unum from another insurer and places the EGLP into the Master Trust this would also be treated as a new settlement

- If an existing Unum EGLP is placed into the Master Trust (terminating an existing trust set up at the same time as the Unum policy was taken out or terminating an existing trust already in place when the Unum policy was taken out) this would be treated as a new settlement. This is subject to the change being made for ease of administration and not to avoid the periodic charges
- If a policy switches away from Unum (and the Master Trust) and at a later date moves back to Unum and re-joins the Master Trust this would be treated as a new settlement. This is subject to the switch being made for reasons other than to avoid the periodic charges

Q: What tax will be deducted from benefit payments?

A: The following is for illustration purposes only and is based on our current understanding of the Inheritance Tax rules and rates applying to EGLPs.

Benefits distributed in the first 10 years

The trustees will not make any deduction for tax for claims relating to deaths in the first 10 years of the settlement where benefits are distributed before the 10th anniversary.

Benefits distributed between each 10th-11th anniversary

For claims relating to deaths:

- before the 10th anniversary but where proceeds are not distributed until after the 10th anniversary (e.g. a claim was not submitted or paid until after the 10 year anniversary)
- between each 10th and 11th anniversary where the member was terminally ill at the 10th anniversary

The trustees will distribute 92% of the proceeds. The remaining 8% will be held in an escrow account (outside the trust) until 3 months after the 11th anniversary.

It will then be possible to determine if there was a value in the trust at the preceding 10 year anniversary (e.g. if a member was terminally ill) and if periodic and exit charges apply.

If periodic and exit charges apply we will appoint independent tax experts to calculate the tax liability. The trustees will account for the tax with HMRC and distribute any remaining proceeds to the beneficiaries.



For claims relating to deaths between each 10th and 11th anniversary where the member was not terminally ill at the 10th anniversary the trustees will distribute 99% of the proceeds. The remaining 1% will be held in an escrow account (outside the trust) until 3 months after the 11th anniversary.

It will then be possible to determine if there was a value in the trust at the preceding 10 year anniversary (e.g. if a member was terminally ill) and if an exit charge applies.

If exit charges apply we will appoint independent tax experts to calculate the tax liability. The trustees will account for the tax with HMRC and distribute any remaining proceeds to the beneficiaries.

Benefits distributed after each 11 year anniversary

If a periodic charge did not apply at the preceding 10 year anniversary the trustees will distribute 100% of the proceeds for each claim up to the next 10th anniversary.

If a periodic charge applied at the preceding 10 year anniversary an exit charge will be due on claims up to the next 10th anniversary. In this situation:

- The rate of the exit charge will be known
- The tax liability will be calculated by independent tax experts appointed by us
- The trustees will account for the tax with HMRC and distribute the remaining proceeds

Q: What happens if a claim is notified late leading to a retrospective tax liability for that claim and possibly other claims?

A: If a late notified claim affects the tax that was deducted from a benefit already distributed, the extra tax due will be requested from the beneficiaries. Or the employer could cover the tax by making a payment to the trustees.

Q: Can the policyholder opt to pay the periodic and exit charge?

A: Yes, the employer could cover the tax by making a payment to the trustees.

Q: How does an employee nominate beneficiaries?

A: Employees should complete a beneficiary nomination form (sometimes called an expression of wish form) which can be downloaded from our website.

Q: Who will ensure that the trust is kept up to date?

A: Unum and the professional trustees ensure that the trust is maintained and is appropriate for EGLPs.

Warning

The information contained in this document is based on Unum's current interpretation of the relevant legislation which may itself change and develop with the passage of time. The information does not constitute legal or professional advice and should not be relied upon as such. You should always obtain independent legal advice about your specific circumstances. Unum does not accept any responsibility or liability for the accuracy or completeness of the information. Furthermore Unum does not accept any responsibility for any loss or damage of whatever nature which may arise where there has been reliance upon the information set out above.