Helping you understand our trusts, deeds and rules



Contents

3	Introduction
3	Important
4	How can I get your example documents?
4	Legal document structure
4	Understanding changes
5	Quick reference guide
7	Declaration of trust – employee benefits
8	Declaration of trust – equity partner and limited liability partner benefits
9	Deed of amendment
9	Deed of appointment retirement and assignment
9	Deed of assignment
10	Scheme rules
10	Policy
10	Supplemental deed of adherence
10	Supplemental deed of amendment
11	Glossary
12	Contact details

Introduction

Reading a legal document doesn't have to be daunting. We've written this guide to help you understand the specimen documents we provide to help set up and run a death in service benefits scheme.

You can find out the purpose of a declaration of trust and scheme rules. We also tell you about the deeds you can use to keep your scheme up to date.

We've used plain language to make this guide easy to understand. You'll find explanations of any technical terms we use in the glossary on page 11 of this document. Where terms covered in the glossary appear in the main text, we've highlighted **them like this**.

The Legal & General Group Life Mastertrust is a scheme we've set up, and registered with HM Revenue & Customs. An employer insuring their Group Life Assurance benefits with us can choose to join our Group Life Mastertrust instead of setting up and running their own **registered scheme**.

An employer can also choose to insure their benefits under our Relevant Life Mastertrust, which removes the need to establish and maintain their own **excepted group life policy** (or relevant life policy if insuring one person).

Call us for more details.

Important

This guide describes the purpose of each of our example documents that employers can use to set up their own scheme, and keep it up date. The trusts, deeds and rules described in this guide shouldn't be used by employers who have chosen to use either our Group Life Mastertrust or Relevant Life Mastertrust.

The information we've given is based on our understanding of current law, tax rules and HM Revenue & Customs (HMRC) practice. We suggest an employer talks to their legal adviser before setting up, or changing, employment benefits.

Before you start reading this document you need to understand the difference between a **scheme** and a **policy**. The **scheme** is recorded in the **declaration of trust** and **scheme rules**. It records an employer's promise to provide benefits to its employees. The promise creates a liability to the employees. The **policy** is an insurance contract the employer takes out to cover this liability under the **scheme**. We do not directly insure an employer's employees.

An employer can use our example trusts, rules and deeds to set up their **scheme** for group life assurance and dependants' pension (also known as death in service benefits). Trusts and deeds are not applicable for Group Income Protection and Group Critical Illness Cover policies.

The trusts, rules and deeds we provide are example documents. We've designed them to be executed in the UK in line with English Law. Employers don't have to use our examples and can change them to suit a specific need, or even use their own.

Deeds are used to update **schemes** set up by a trust. Our example deeds have been written to update **schemes** set up using our example trusts and rules. These deeds may not be suitable if a **scheme** doesn't use our example trusts and rules, or if the policyholder has chosen to change our examples.

Trusts, rules and deeds are legal documents. Before completing a legal document, we suggest an employer talks to their legal adviser to make sure it meets their needs. Employers will be responsible for any legal fees they incur.

How can I get your example documents?

You can find the most commonly used trust documents in our 'set up and manage your own scheme' leaflet that can be found on our Group protection website. We also have other less commonly used documents, so call us if you can't find what you need.

Legal document structure

Most legal documents are broken down into different sections to make them easier to read. Our example documents, and many others, will include the following sections:

1. A document title. Employers using their own documents may not use the same title as we do. For example they may call their 'deed of assignment' a 'deed of novation' instead.
2. A section to describe who is agreeing to the proposal or changes.
3. The meaning of any defined terms. Defined terms will appear throughout the document in bold type or with a capital letter at the start of the word.
4. A summary of what the document aims to achieve.
5. The fine details of the change. This is often broken down into separate paragraphs for each main point. For longer documents, subheadings are also used.
6. Signatures of everyone who is responsible for the legal agreement.

Understanding changes

A '**principal employer** name change' and a 'change of **principal employer**' are two different changes that are often confused. We have different requirements for each of these changes or alteration types.

The Companies House website allows us to find out details of limited companies and limited liability partnerships. The record for each employer confirms when the employer was set up, as well as if, and when, the employer changed its name. We use this facility to double-check name changes.

Some changes will include a change to the group of employees or the benefit level we insure. For example, a change in **principal employer** may result in a change to the group of employees needing cover. This means we'll need to give a quote for the changes. The employer will need to accept the quote before we change the **policy**.

The **scheme** as set up by the deed of declaration is a separate legal entity to the **principal employer**. A change to the name of the **principal employer** does not change the name of the **scheme**. A deed of amendment is required to change the **scheme** name. This should be completed before requesting a change to the insurance **policy**.

Quick reference guide

For policies covering employees:

The changes	Documents needed	Does L&G, need to see the completed document before changing the policy?	Does HMRC need to know about registered scheme changes?
Setting up a new **scheme** for a new **policy**.	1. Declaration of trust (to set up the new **scheme**). 2. **Scheme** rules (attached to the trust). 3. Supplemental deed of adherence (to include any other employers where required by the declaration of trust).	No.	The employer will need to apply to HMRC to set up a **registered scheme**.
Including a new **participating employer**.	Supplemental deed of adherence. (unless otherwise indicated by the declaration of trust).	No.	No.
Changing the **scheme** name.	Supplemental deed of amendment.	We only need to see the deed if the **scheme** has named **trustees**.	Yes.
Principal employer has changed its name and also wants the **scheme** name updated.	Supplemental deed of amendment.	We only need to see the deed if the **scheme** has named **trustees**.	Yes.
Principal employer has changed its name but doesn't want to change the **scheme** name.	None. Just send us a written request to update the **principal employer's** name on the policy.	No.	Yes.
A new **principal employer** replaces the old **principal employer**.	Deed of amendment.	No, but only if the policyholder has sent us a completed Change of policyholder form.	Yes.
Moving the **policy** from one **scheme** to another where the new **scheme** is already set up.	Deed of assignment.	No, but only if the policyholder has sent us a completed Change of policyholder form.	No. However, HMRC need to know if the old **registered scheme** is wound up.

For policies covering equity partners or limited liability partnership members only (non-registered **scheme** benefits):

The changes	Documents needed	Does L&G need to see the completed document before changing the policy?	Does HMRC need to know about the change?
Moving the **policy** from one **scheme** to another the employer is setting up using our example documents.	1. Declaration of trust (to set up the new **scheme**). 2. **Scheme** rules (attached to the trust). 3. Supplemental deed of adherence (to include any other employers in the new **scheme**). 4. Deed of assignment (to transfer the **policy** from the old **scheme** to the new **scheme**).	No, but only if the policyholder has sent us a completed Change of policyholder form.	The employer will need to apply to HMRC if they want a new **registered scheme**. HMRC also need to know if the old **registered scheme** is wound up.
Setting up a trust to describe how benefit will be paid, and the purpose of the insurance for tax reasons.	Declaration of trust.	No.	No.
The firm is being wound up and replaced by another (for example, a limited liability partnership replaces an equity partnership).	Deed of appointment retirement and assignment.	No, but only if we have received a completed Change of policyholder form.	No.

Declaration of trust – employee benefits

An employer will normally use a trust to set up a death in service **scheme** for its employees. The trust sets out the high-level information about a **scheme** and relies on the (much longer) **scheme** rules to give the fine detail.

The trust will say whether it's a **registered scheme** or if it's for an **Excepted Group Life Policy** and will refer to the relevant law for tax purposes.

HM Revenue & Customs will only register a **scheme** once an employer has set it up. Therefore, an employer will be required to complete the trust before they register the **scheme** online.

The trust will say who the first **trustees** of the **scheme** are. Normally the **principal employer** will set itself up as the first **trustee** of a death in service **scheme**, however, they may choose a group of named **trustees** or a **trustee** company instead. We have different versions of our example trust depending on who the first **trustees** are.

If the trust doesn't have rules attached, the trust will always say who the **trustees** can pay benefit to. An **excepted group life policy** can only pay benefit for individuals or charities, and the trust and rules for this policy type will need to prevent the **trustees** paying the benefit anywhere else.

Most employers choose a 'discretionary trust' to pay group life assurance benefits. A discretionary trust describes all the people who may receive benefit after an employee dies. These people usually include dependants, relatives, charities and anyone else the employee has requested benefit to go to. The **trustees** have discretion as to who gets the benefit. They must act in the best interest of everyone, and do not have to pay benefit to the people chosen by the employee.

The **principal employer** must be a UK entity but could be any type of firm such as a limited company, an equity partnership, or a limited liability partnership. We have different versions of our example trust depending on the set-up of the **principal employer**. For example, the trust for an equity partnership may include witnessed senior partners' signatures at the end; however, a trust for a limited company will normally include signatures of two directors, or a director and the company secretary. The same witness can be used as long as they are not a signatory anyone witnessing a signature should normally be in person with a 'wet' signature.

An employer can keep their trust up to date with a deed.

Declaration of trust – equity partner and limited liability partner benefits

A firm will normally set up a trust to describe how it will use the benefits from a group life assurance **policy** covering its equity partners or LLP members. The firm will usually have three options:

1. To set up a non registered trust for business protection. This allows the firm to use any benefit for its own purposes. For example, to cover the cost of recruiting a new equity partner or LLP member, or releasing the deceased's equity in the firm to the estate. A discretionary trust is not used and the benefits are payable to the firm not to dependents.
2. To set up a discretionary trust for an **Excepted Group Life Policy**. Firms which intend to pay benefit to a deceased's dependants and relatives usually use this type of trust. An **excepted group life policy** can only pay benefit for individuals or charities, and a trust for this policy type will need to prevent the **trustees** paying the benefit anywhere else. The firm may wish to use the L&G excepted master trust option if they do not wish to set up their own trust.
3. To set up a trust that pays benefit to a deceased's dependants and relatives, but without the **Excepted Group Life Policy** restriction. This will give the trustees greater flexibility in paying benefit; however, they may need to pay chargeable gains tax after a second or subsequent death.

A firm cannot set up a registered scheme just for its equity partners or LLP members. Equity partners and LLP members cannot be included in the L&G registered master trust unless cover also includes employees.

Trusts for equity partner and limited liability member benefits will not normally have **scheme** rules attached. Equity partners and LLP members have a say in the benefits they are insured for. Therefore there isn't normally the need for a **scheme** to describe who is eligible and the benefit levels.

The trust will say who the first **trustees** are. Normally the firm will set itself up as the first **trustee**; however, they may choose a group of named **trustees** or a **trustee** company instead. We have different versions of our example trust depending on who the first **trustees** are.

Most firms choose a 'discretionary trust' if benefit is for the deceased's dependants and relatives. A discretionary trust describes all the people who may receive benefit after an equity partner or LLP member dies. These people usually include dependants, relatives, charities and anyone else the deceased chose benefit to go to. The **trustees** have discretion as to who gets the benefit. They must act in the best interest of everyone and do not have to pay benefit to the people chosen by the equity partner or LLP member.

We have different versions of the trusts depending on whether the firm is an equity partnership or a limited liability partnership.

A firm can keep their trust up to date with a deed.

Deed of amendment

This is an agreement between two different employers, where one is replacing the other as the **principal employer**. The **principal employer** is the employer which sponsors and is responsible for the **scheme**.

We have different versions of this deed:

1. Some completely remove the old **principal employer** from the **scheme** while others allow them to still be included as a **participating employer**.
2. Some allow the **scheme** name to be updated at the same time.
3. Different versions of the deed cater for different types of business. For example, limited companies, equity partnerships or limited liability partnerships.

If we have received a completed Change of policyholder form we can update the **policy** without seeing this deed.

HM Revenue & Customs need to know if the **principal employer** or name for a **registered scheme** has changed. The **scheme** administrator can tell them the new name using the HM Revenue & Customs online service.

Deed of appointment retirement and assignment

(for policies covering partners only)

This deed should not be used if the **policy** covers the benefits of a **registered scheme**.

The deed of appointment retirement and assignment is used where an equity partnership is wound up and replaced by a Limited Liability Partnership (LLP). Our deed is an agreement between the old equity partnership and new LLP. It allows the new LLP to take over the trust and **policy** from the old partnership.

It isn't possible to change an equity partnership to an LLP. They are separate legal entities, which is why the deed is needed.

If we have received a completed Change of policyholder form we can update the **policy** without seeing this deed.

Deed of assignment

This is used when the **policy** is to be transferred to cover the benefits of a different **scheme** (and the benefits of the old **scheme** are no longer to be covered).

For example, our **policy** may be covering the death in service benefits of a pension **scheme** the trustees have decided to wind up. To continue the death in service benefits for their employees, the **principal employer** is setting up a new death in service **scheme**. They need us to move the **policy** from the old pension **scheme** to the new death in service **scheme**.

We cannot insure more than one **scheme** under a single **policy**. If cover is still needed for employees under the old **scheme**, we suggest the existing **policy** continues to cover them, and a new **policy** is set up for the new **scheme**.

The deed is an agreement between the old **scheme trustees** (the old policyholder) and the new **scheme trustees** (the new policyholder). It records the date of the change and the **policies** affected. The new **trustees** also agree to keep to the **policies'** terms and conditions.

There are different variations of the deed depending on the set-up of the new and old **schemes**. For example, some deeds cater for corporate **trustees** and others for a group of named **trustees**.

If we have received a completed Change of policyholder form we can update the **policy** without seeing this deed.

This is a change to the **policy** assurance and not the **scheme**. Therefore HM Revenue & Customs do not need to know about the assignment.

However if the **policy** is assigned because an old **registered scheme** is shut down, HM Revenue & Customs need to know the old **scheme** has ended. Additionally if the **policy** is transferred to a new **registered scheme**, the employer must have registered the new **scheme** with HM Revenue & Customs.

Scheme rules

An employer uses **scheme** rules to describe eligible employees, the benefit level, what circumstances trigger benefit payment and who will receive the benefit.

Our latest declaration of trust examples have **scheme** rules attached. These are generic **scheme** rules that shouldn't need regular updates. They refer to the **policy** to describe the employees included and their benefit level. Therefore, if an employer changes the benefits insured under the **policy**, in most cases they won't need to update the **scheme** rules as well.

Scheme rules may be updated using an addendum. Alternatively, an employer could adopt a replacement set of **scheme** rules.

We don't need to see a copy of the **scheme** rules an employer uses.

Policy

This records the contract between us and the policyholder. It sets out our liability, how we operate the **policy** and who the policyholder is.

The **policy** is made up of the **policy** terms and the **policy** schedule. The **policy** terms is a set document that includes all the standard **policy** terms. The **policy** schedule includes **policy** specific details such as the eligibility and benefit basis.

We update the **policy** by sending out a replacement **policy** schedule. This may be referred to as a **policy** endorsement.

Supplemental deed of adherence

A **principal employer** can use this to include the employees of another employer (also called a **participating employer**) under their **scheme**. It records:

1. the **principal employer's** agreement to let the new employer participate;
2. the new **participating employer's** agreement to keep to the **scheme** rules; and
3. the date the new **participating employer** joins.

We have different versions of this deed for limited companies, equity partnerships and limited liability partnerships.

We can include cover for a **participating employer** under the **policy** without seeing a copy of this deed.

HM Revenue & Customs don't need to know about **participating employers** in **schemes**.

Supplemental deed of amendment
(used to update the declaration of trust)

A **principal employer** can use a supplemental deed of amendment to change the **scheme** name. They may want to change the **scheme** after the **principal employer** has changed its own name. We have different versions of this deed for limited companies, equity partnerships and limited liability partnerships.

We only need to see a copy of this deed before we update the **policy** if the **scheme** has named **trustees**. This is because we'll need the **trustees**' account name. We pay benefit to trustees and it's important our record is accurate.

HM Revenue & Customs need to know if a **registered scheme** name has changed. The **scheme** administrator can tell them the new name using the HM Revenue & Customs online service.

Glossary

Excepted Group Life Policy means a type of **policy** introduced by the Finance Act 2003. To qualify as an excepted group life policy as defined in section 480 of the Income Tax (Trading and Other Income) Act 2005, the policy must meet the conditions set out in sections 481 and 482 of that Act. For example it can only pay benefit for an individual or charity.

Please see our Helping you understand Relevant Life Policies (RLP) and Excepted Group Life Policies (EGLP) for further information around the various conditions required.

Participating employer is an employer that the **principal employer** has agreed to include in the **scheme**.

Policy means an insurance contract the **trustees** take out. It covers their liability to pay death in service benefit under the **scheme**.

Principal employer means the employer responsible for the **scheme**.

Scheme means the contract recording an employer's promise to provide death in service benefits to its employees. This contract is recorded in the declaration of trust and scheme rules.

Trustee or **trustees** means the company, or people, chosen to run the **scheme** in line with the declaration of trust and rules.

Registered scheme means a **scheme** approved by HM Revenue & Customs under the Finance Act 2004.

For more details on how to register a scheme please see our guide to How to set up and register a scheme.

Contact us

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We may record and monitor calls. Call charges will vary.
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