

Reasons why – AIG Business Protection Term Assurance / Business Protection Critical Illness with Term Assurance

The following paragraphs are designed to provide you, the intermediary, with the background information you might require for 'reasons why' letters when recommending AIG Business Protection Term Assurance / Business Protection Critical Illness with Term Assurance to your clients. They should not be used in lieu of a full and proper assessment of whether and why AIG Business Protection is suitable in a particular situation.

This document provides guidance for professional advisers and should not be distributed to retail customers.

Generic 'About AIG Life' text

[AIG Life Limited is the life insurance arm of AIG in the UK, Channel Islands, Isle of Man and Gibraltar. It provides financial and practical support for individuals, families and businesses when illness or injury threatens their life, lifestyle or livelihood. It also provides financial protection for over 444,000 customers.

AIG Life is part of AIG Group, a leading international insurance organisation serving customers in more than 80 countries and jurisdictions].

AIG Business Protection - introduction

Adviser Recommendation:

[When we met recently I spoke to you about ensuring business name protects the most valuable asset to the business - the people. Having discussed your future plans for business name, I recommend the following insurance (delete as appropriate):

- **Business Loan protection**
- **Key Person protection**
- **Shareholder protection**
- **Partnership protection**

Relevant Life Insurance - as we discussed, this is not business protection but there are tax efficiency benefits for you using this cover for yourself and your employees.

The information provided here is only a brief outline of the insurance. It is important you read this in conjunction with the Key Facts document we have provided which, together with the Quote Summary, gives you further important information. Full details of the product can be found in the Cover Details – a document which, together with the Cover Summary and the Application Details, forms the basis of the legal contract with AIG Life.]

Business Protection - Level Term Assurance

[I have recommended level cover. This means the amount paid out at claim will always be the same – whether the claim is made in the first year, or during the last year of the policy term. The insurance will pay the full sum assured to the business if the person covered dies or meets AIG Life’s definition of having been diagnosed with a terminal illness (as listed in its Cover Details). AIG Life also accepts valid terminal illness claims until the day the insurance ends. As the amount of cover is fixed, it’s important to understand that as the cost of living goes up over time, the amount of cover provided by the policy will reduce in real terms. Consequently, it is important to review the cover on a regular basis.

The insurance also includes access to Best Doctors - a second opinion medical service which can provide guidance on the most appropriate treatment should the person covered or their immediate family be diagnosed with a serious illness. Best Doctors is a non-contractual benefit which can be withdrawn at any time without notice.]

Business Protection - Increasing Term Assurance

[The insurance will pay the full sum assured to the business if the person covered dies or meets AIG Life’s definition of having been diagnosed with a terminal illness (as listed in its Cover Details). AIG Life also accepts valid terminal illness claims until the day the insurance ends.

I have recommended increasing cover. The total amount of insurance payable will increase each year by 5% to offset the effects of inflation. Premium rates are guaranteed for the entire period of insurance cover. However, as you have chosen the increasing cover option, the premium payable will increase each year.

- The increase of 5% per year will potentially offset the rate of inflation.
- Premiums will increase at a higher percentage than that of the sum assured
- If inflation increases at a higher rate than 5% then the purchasing power of the sum assured paid out may be diminished.

The insurance also includes access to Best Doctors - a second opinion medical service which can provide guidance on the most appropriate treatment should the person covered or their immediate family be diagnosed with a serious illness. Best Doctors is a non-contractual benefit which can be withdrawn at any time without notice.]

Business Protection - Decreasing Term Assurance

[The insurance will pay the sum assured to the business if the person covered dies or meets AIG Life’s definition of having been diagnosed with a terminal illness (as listed in its Cover Details). AIG Life also accepts valid terminal illness claims until the day the insurance ends.

The sum assured payment you could receive will reduce each month in line with the capital outstanding on a business loan with an annual interest rate of [insert interest rate here] %. If the interest rate chosen is less than the rate you are paying on your business loan, the benefit AIG pays in relation to a successful claim may not meet the outstanding amount of your loan.

The insurance also includes access to Best Doctors - a second opinion medical service which can provide guidance on the most appropriate treatment should the person covered or their immediate family be diagnosed with a serious illness.]

Renewable cover

[A term of 5 or 10 years will be chosen when you take out the cover. At the end of this term, you will have the option to renew the cover for a further 5 or 10 years without providing further medical information. You can renew the cover until your 60th birthday. If you choose not to renew the cover, it will end.

The insurance also includes access to Best Doctors - a second opinion medical service which can provide guidance on the most appropriate treatment should the person covered or their immediate family be diagnosed with a serious illness.]

Shareholder / partnership protection

[I recommend you take out Shareholder / Partnership protection, which provides a sum of money if one of the owners of the company dies or meets AIG Life's definition of having been diagnosed with a terminal illness (as listed in its Cover Details). This then allows the remaining shareholders/partners to buy the shares/business share from the deceased business owner's estate and/or the affected business owner. The consequence is the other owners retain control of the company, and the family receives fair value for the shares/partnership share they have inherited.]

Trust – partnership protection

I have recommended your Partner Protection cover is written in trust, using an AIG Life Business Trust. This means any claim is promptly paid to the trustees. It also ensures the proceeds are paid free from inheritance tax.

Trust – shareholder protection

I have recommended your Share Protection cover is written in trust, using an AIG Life Business Trust. This means any claim is promptly paid to the trustees. It also ensures the proceeds are paid free from inheritance tax.

Cross option agreement ('own life' cover only)

I have recommended you complete an AIG Life cross option agreement, which is a legal contract between each business owner outlining what would happen to the shares if one of you dies or leaves the business as a result of a critical illness. The cross option agreement will give the surviving business owners the option to buy the shares, and the deceased owner's estate/the retired owner the option to sell them. This will help ensure business carries on trading with minimal disruption. I recommend that the agreement, which is attached in draft format, is reviewed by the business and adapted to take account of any specific needs the business identifies.

Critical illness cover

Adviser Recommendation:

[The insurance will pay the full sum assured if the person covered die(s), or meet(s) AIG Life's definition of having been diagnosed with a terminal illness or a Group 1 critical illness - as listed in its Cover Details. AIG Life also accepts valid terminal illness claims until the day the insurance ends.

Your insurance will also provide additional payments as a proportion of the sum assured (up to £35,000) if you are diagnosed with a less severe condition which, while not life-threatening, can still have a serious impact on your life. These are defined as Group II definitions in the Cover Details.

It will also make additional payments of up to £35,000 if the child of the person covered is diagnosed with a critical illness, including conditions which are specific to children, or if the child is diagnosed with a terminal illness. (The child-specific conditions are detailed under its Group III definitions of the Cover Details.) It also pays child life cover of £10,000 which will be paid early if the child is diagnosed with a terminal illness.

In addition, it will pay a pregnancy cover benefit of £5,000 if the person covered suffers from a defined complication during pregnancy.

It also includes access to Best Doctors - a second opinion medical service which can provide guidance on the most appropriate treatment should the person covered or their immediate family be diagnosed with a serious illness. The insured person can also continue to access Best Doctors for up to three years after the final claim payout has been accepted, to enable them to receive important support during and following treatment. This extended access to Best Doctors will only apply to the person covered by the claim, and not to family members. Best Doctors is a non-contractual benefit which can be withdrawn at any time without notice.]

Total Permanent Disability (critical illness policies only)

[I have recommended that the Total Permanent Disability option is added to your cover. Total Permanent Disability will pay a tax-free lump sum if the person covered is incapacitated and meets the definition of incapacitated that applies to them, even if their condition doesn't meet the criteria of any of the specified critical illnesses. The definition of incapacitated that may apply to the person covered will be shown in the Cover Summary and is explained in full in the Cover Details.]

Total Disability (critical illness policies only)

[I have recommended that the Total Disability option is added to your cover. Total Disability will pay a tax-free monthly income of 1% of the sum assured (however note that limits do apply – refer to the Cover Details for further information) for up to 100 months if you are incapacitated for more than 26 weeks and meet the definition of incapacitated that applies to you, even if your condition doesn't meet the criteria of any of AIG's specified critical illnesses or Total Permanent Disability. The monthly payments are paid from the sum assured. The definition of incapacitated that applies to you will be shown in the Cover Summary and is explained in full in the Cover Details.]

Total Disability is unique to AIG Life's Critical Illness with Term Assurance insurance. For full details please refer to the Cover Details.]

[Waiver of Premium

I have recommended you include the waiver of premium option as part of your insurance. If the person covered is unable to work as a result of incapacity for more than 26 weeks, AIG Life will pay their premiums for the remainder of their period of incapacity. AIG Life will pay their premiums until the person covered is either able to return to work, no longer meets the definition of incapacity or until the end of the term of their policy.]