

Income Protection Cover

1. Introduction

Loss of income because of serious illness or injury can be a matter of grave concern to an individual and his or her family. To increase your security, the Company has put in place an Income Protection Cover for members of Leonardo FuturePlanner.

The Cover is provided through a leading insurer and is designed to provide protection for you and your family if you are unfortunate enough to be incapacitated from work for an extended period.

The Company means Leonardo UK Ltd., and the participating employers in Leonardo FuturePlanner. Every effort has been made to ensure the accuracy of this leaflet, but the legal documents covering the Income Protection Cover will prevail in the case of dispute.

2. Who is eligible?

The Scheme automatically provides cover for all members of Leonardo FuturePlanner through to State Pension Age. However you must have joined FuturePlanner at your first opportunity. You will be notified if upon joining FuturePlanner any further action is required to confirm your Income Protection Cover, which may include a check that you are “actively at work” or the submission of some evidence of good health to our insurer.

3. Do I have to pay for cover?

No. The Company meets the entire cost of the Cover and there is presently no personal tax liability for you on the insurance premium.

4. How is Incapacity defined?

For the purposes of the Cover, Incapacity occurs when a member is absent from work as a result of illness or injury, and the insurer is satisfied that the member is unable to perform the material and substantial duties of his/her normal occupation, and is not following any occupation. Medical evidence will be obtained by the insurer to assess the validity of each claim on an initial and ongoing basis. The Company will only pass on benefit payments to you where those benefits have been received from the insurer.

5. When would I start to receive benefits?

The first 26 consecutive weeks of disability are known as the “Deferred Period” and no benefit is payable during this period. If your Company sick pay period extends past 26 weeks then no benefit will be payable from the income protection policy until this has been exhausted. You should refer to your HR Department if you wish to clarify your employer’s short-term sickness policy. If you are still unable to work in your own occupation after this period has expired, you will become eligible to receive benefit, providing the medical evidence supports your claim.

6. How much benefit will I receive and for how long?

The Cover is for a regular income benefit while you remain an employee and continue to satisfy the eligibility criteria. The benefit is payable for a period of two years from the end of the deferred period but will cease in the event of recovery, you reaching State Pension Age or your death. Benefit will also cease if you leave service or retire.

The gross benefit payable is calculated as 50% of your Salary. Salary is determined as your basic annual salary immediately prior to the commencement of your disability. Benefit is payable monthly in arrears.

Please note that your eligibility for the cover and the payment of any benefit in the event of a claim are both subject to acceptance by our insurer and the terms set out in their policy conditions.

7. What happens after benefits have been in payment for 2 years?

Income benefits from the insurer will cease two years on from the completion of the deferred period.

If, after that period, you are too ill to return to your substantive role and your employment ends for medical reasons, Leonardo may, at its discretion and subject to the insurer's decision and the terms of the policy in force at the time, use any insurance proceeds it receives to provide you with a lump sum payment (either as an additional pension contribution or as compensation for loss of office). The value of this lump sum is on a basis determined between the insurer and the Company and is generally based on your salary, length of membership of FuturePlanner and the amount of time remaining to State Pension Age.

Any such lump sum would be in addition to whatever benefits are payable from your FuturePlanner Retirement Account. The availability and amount of any lump sum are not guaranteed and will depend on your circumstances and the terms of the insurance policy at the time of any claim. Income protection insurance is separate from, and does not form part of, your FuturePlanner Retirement Account.

Depending on your age and circumstances, you may also be able to draw pension benefits from Leonardo FuturePlanner if the Trustees consider that you meet the relevant incapacity criteria. Please see the FuturePlanner booklet for more information.

8. What if I die whilst receiving Income Protection benefit?

Providing you remain on your employer's payroll your death in service benefit entitlements are maintained. Any death benefits will be payable based on your pre-disability Salary.

9. What if I am claiming full benefit and am able to return to work on a part-time basis?

If your disability is such that you are able to return to your previous occupation, but only in a part-time capacity, or if you take up a less well-paid post either on a full-time or part-time basis due to your disability, then the benefit you receive through this Scheme will usually be reduced in proportion to your loss of income.

10. What if I return to work and suffer a relapse?

If you suffer a recurrence of the same disability within one year of returning to work after being in receipt of an Income Protection benefit, and remain absent for more than one month, payment of benefit will be resumed immediately and you will not have to wait for a further Deferred Period to expire. This is subject to the provision of satisfactory evidence of the disability to the insurer.

11. What happens if I recover fully and wish to return to work?

If you recover following Incapacity, the Company will try to re-employ you in your own or a suitable alternative occupation. However, if no such occupation exists the Company has the right to terminate your service.

12. What happens if I leave the Company or opt out of FuturePlanner?

Access to income protection benefits cease if you leave the Company or opt out of membership of FuturePlanner.

13. Is my benefit taxed?

According to the present practice of the Inland Revenue benefits are paid by the Company as a continuation of salary and the payments are therefore subject to both Income Tax and National Insurance contributions.

14. Do I have to provide evidence of health?

This is only normally required from members with very high salaries or those who join FuturePlanner late. You will therefore be notified if any medical evidence is required either when you first join FuturePlanner or when the amount of your benefit increases.

The provision of all Income Protection Cover is subject to acceptance by our insurer.

15. Are there any limits?

Occasionally it may be necessary to limit or restrict Income Protection Cover, but you will be told if this applies to you.

You should also note that benefit may be reduced by the amount of any other income you receive as a result of disability, excluding State Incapacity Benefits.

16. Can the Cover change?

Yes. The Company hopes to continue Income Protection Cover indefinitely but must necessarily reserve the right to modify, suspend or discontinue the Cover if future conditions, in the opinion of the Company, warrant such action. Benefits already being paid at the date of any change will continue and will not therefore be affected by any such change.

17. What is the legal structure of the Cover?

The Cover is secured between the Company and the insurer and is governed by the policy document as amended from time to time. Although access to the Cover is conditional on your membership of Leonardo FuturePlanner, the Trustees are not a party to the policy.

Currently the Company will allow you partial third party rights under the policy. This means that an individual has full access to the insurer in the event of a disputed claim, and ultimately could take direct legal action against the insurer. However the Company is not required to consult you over the terms of the policy, changes to the Cover or its termination.