What is the Excepted Life Trust?

The Excepted Life Trust is provided by Ellipse for all new and existing excepted group life policyholders. It provides a ready to use discretionary trust deed and professional trustee services provided by Pitmans Trustees Limited (PTL). This ensures that all HMRC requirements for excepted schemes are met efficiently and effectively. We often find that standalone excepted trusts are poorly worded and employers are not sufficiently prepared to act as trustees. At the very least this delays payments to beneficiaries and can also bring unwanted tax liabilities.

The Excepted Life Trust provides the following benefits to employers:

- Quicker payments to beneficiaries
- Reduced legal and tax risk from an appropriately worded trust
- Less administration at point of claim
- No need to act as trustees

How does it work?

Each employer will have their own trust by executing a trust deed which has been prepared on behalf of Ellipse by specialist lawyers. The trust is suitable for excepted and single relevant life policies. The same trust can accommodate multiple policies so different levels of cover can be included in one trust. An independent trustee service is provided by PTL at no extra cost to the employer, so the employer does not need to act as trustees in the event of a claim.

The Excepted Life Trust reduces the legal risk and uncertainty which would otherwise face policyholders, while providing greater convenience with less administration and no trustee responsibilities. It will also help to reduce delays so that claim payments to beneficiaries are made quickly.

How is the Excepted Life Trust set up?

Either prior to an excepted policy commencing with Ellipse, or at any time during the policy term, the employer should:

1. Download a copy of the Excepted Life Trust from the Ellipse website
2. Complete the trust deed, sign and return a scanned copy to Ellipse
3. The trust is now setup
4. In the event of a claim, Ellipse will instruct the trustees who will determine the beneficiaries
5. Ellipse will pay the benefit directly to the beneficiaries.

Every eight years, Ellipse will contact the policyholder and prompt them to wind up the current trust and replace it with a new Excepted Life Trust.

When does the Excepted Life Trust cease?

When the policy ceases with Ellipse or earlier if instructed by the employer. When the trust is terminated an exit charge assessment will be undertaken by the trustees. Any money in the trust at this point, for example the sum assured due from a claim which has occurred but has not been paid, may be subject to an exit charge and any charge will be deducted from the money in the trust.

FAQs

Q. How does this differ from the registered Master Trust?

A. Other than the fact this is a non-registered trust, the main difference is that the registered Master Trust is a multi-employer trust. The Excepted Life Trust is a trust for a single employer only, although related subsidiary companies can also be included.

Q. Why not offer an Excepted Master Trust?

A. This is due to the periodic tax charges which are due every 10 years. If a single trust was provided for all policyholders, it is possible that there would be value in the trust – perhaps relating to another insured employer - at the 10 year anniversary of the trust commencing.

Q. Are separate trusts needed for all participating employers in a policy?

A. No. But each participating employer will need to sign the trust deed when the trust is established, or sign a deed of participation if they join the trust at a later date.

Q. Is it possible to include a Single Relevant Life policy in the Excepted Life Trust?

A. Yes, the same Excepted Life Trust can be used in exactly the same way.

Q. Why is it necessary to cease the trust after 8 years?

A. This is due to the periodic tax charges explained above. Establishing a new trust well in advance of the 10 year anniversary will ensure that there is no value in the trust at the 10 year anniversary.

Q. Once the trust has been setup, what involvement does the employer have?

A. The employer is responsible for telling us about a claim and if requested assist in providing information about potential beneficiaries.

Q. Does the employer need to setup a trustee bank account?

A. No. A bank account has been setup by Ellipse, who will make payments directly to the beneficiaries once instructed by PTL.

Q. Do I need more than one trust for different levels of benefit?

A. No. The Excepted Life Trust can accommodate multiple excepted policies for the same employer. For example, if an employer insures all directors for 4x annual salary and all other employees for 2x annual salary, and they require all benefits to be held in an excepted policy, Ellipse will still setup two separate policies, but these can be held under the same trust.

Q. How much does it cost to establish an Excepted Life Trust?

A. Nothing, it is free to all Ellipse excepted policyholders.

Q. Why can't the Excepted Life Trust be transferred to another insurer?

A. It cannot be transferred because Ellipse bears the cost of running the trust.

Q. How do employees nominate beneficiaries?

A. We strongly suggest they use our online service. This provides online access for employees to complete their nomination forms online where they are stored securely and accessed by us in the event of a claim. Read more on our website.

Q. How does this impact on the claims payment process?

A. Once the claim has been submitted by the employer, Ellipse will assess the claim. If the claim is accepted Ellipse will instruct PTL and provide them with a completed nomination of beneficiary form (if one has been completed). Once PTL have determined the beneficiaries, they will inform Ellipse who will make the payment direct to the beneficiaries.

Q. How will the trust deed and rules be kept up to date?

A. We will make any necessary changes to the trust deed and rules and inform the policyholder of these changes.

Q. Who can be included in an excepted policy?

A. Employees, individuals on contracts, directors and officers of a firm and equity partners can all be included.

Q. What happens if there is a member with a terminal illness when the trust is set up?

A. If a member has been diagnosed with a terminal illness at the point at which a trust is setup, this may result in a tax charge. For new business to Ellipse we ask for details of absentees. Where our underwriting basis means that we would decline to quote because an employee is absent from work with a terminal illness, you will not be able to establish an Excepted Life Trust. In any event, if a member is diagnosed with a terminal illness you should consult your adviser. If at the eight year anniversary when the trust is being wound up there is a member with a terminal illness we would suggest that the trust is not wound up at that time.