

Deed of assignment guidance notes

Important

If you assign a policy to someone else, you'll no longer own it, so it's really important that you understand the implications before you do it. You should always get advice from your legal or financial adviser before assigning a policy.

Deed of assignment explained

A deed of assignment is a legal arrangement, which transfers the ownership of property (for example, a life insurance policy) from the existing policy owner (known as the assignors) to the new owners (known as the assignees). An assignment can transfer full or part ownership of property.

Reasons for assigning a policy

The main reasons for assigning a policy are:

- **Tax planning** - By transferring the ownership of a policy from a higher rate taxpayer to a basic rate or non-taxpayer before you cash it in, or before it matures, a potential higher rate income tax liability on gains may be reduced or eliminated altogether.

A joint life policy can be divided up between the original owners by assigning the appropriate number of cluster policies to each owner. This can be effective in inheritance tax planning where equalisation of assets is required, such as a will trust.

- Separation or divorce - A policy can be assigned as part of a separation or divorce settlement.
- Making a gift, or selling a policy for money or money's worth - Ownership of a policy can be transferred to another individual, or to a trust, as a gift. Alternatively, a policy can be sold for money or other assets with a market value. Any future benefits of the policy would be paid to the new policy owner.

Warning to assignors

When you assign a policy you will lose all interest in, and control over it. The policy will become the absolute property of the new owners. We'll send all future correspondence about the policy to the new owners, and we'll need their permission to make any changes to it.

Tax position

The tax treatment of assignments can be complicated. So we've only covered those circumstances in which our deed of assignment can be used. You should consult a legal or financial adviser for advice specific to your personal circumstances.

The assignment of a life policy may have tax implications. But if you're assigning a life insurance policy which doesn't have a 'real' value, it's unlikely there'll be any tax to pay.

(A life insurance policy will usually only be considered to have a value if you're seriously ill when you assign it or if it has a surrender (or in cash-in) value).

Assignments to individuals

Where the assignment of a life policy is made as a gift to an individual, no tax will be payable immediately. However, the new policy owner may be liable to pay income tax on the full gain in the future.

Where the assignment of a life policy is made for money or money's worth (such as for cash or an asset of value) it is a chargeable event and can lead to an income tax liability on any gains made. Any income tax liability due on the assignment of a policy for money or money's worth is payable by the existing policy owners (the person or people giving up ownership of it).

An income tax liability will occur where there is a chargeable gain on the policy, and one or more of the following applies.

- The person liable is a higher rate taxpayer.
- The person liable is not normally a higher rate taxpayer, but the 'top sliced' gain, when added to other income, exceeds the higher rate tax threshold for that tax year.
- The person liable would normally qualify for working tax credits, child tax credits, or age related allowances, and total income for the tax year (including the taxable gain) exceeds the threshold above which these allowances are reduced.

When a chargeable gain arises, the additional tax liability for a higher rate taxpayer could be up to 20% or 25% on the whole of the gain arising. This will depend on whether the highest rate of income tax that the person liable for the tax pays is 40% or 45%.

Where additional income tax is payable indirectly via loss of allowances, tax will apply at the individual's highest rate.

Capital gains tax may also apply on encashment, and this liability would fall on the new policy owner.

Assignment into a trust

If you assign something into a trust, the tax implications will depend on the type of trust it goes in to. You should seek advice from a legal or financial adviser before you assign something to a trust.

If you gift your policy to a flexible or discretionary trust, this will be considered as a chargeable lifetime transfer. This means you may have to pay an immediate inheritance tax (IHT) charge of 20% of the value of the gift. Of course, if you're assigning a life insurance policy, this won't normally have a 'value' and so there won't be an immediate IHT charge to pay. There'll also be ongoing IHT, which will be paid from the trust.

If you gift your policy into a fixed or bare trust - this would usually be considered a Potentially Exempt Transfer (or PET) for IHT purposes. However for these types of trust there are currently no ongoing IHT charges.



Any income tax liability due on the full gain of your policy will also be paid from the trust.

How much tax you pay depends on your personal circumstances. Any references we make to taxation are based on our understanding of current legislation and HM Revenue & Customs practice, which can change. Correct as at April 2021.

Our draft deed of assignment

Our draft deed of assignment is intended for use with our life and investment policies only. It's suitable for use in England and Wales, and Scotland. The deed transfers full ownership of a policy (or cluster) from the existing policy owners to one or more new policy owners. It can't be used for partial assignments, or where the assignment is a result of divorce or separation (this is because sometimes the divorce court order will stipulate the assignment).

Our draft deed of assignment can be used:

- to gift a policy to someone else
- to gift a policy to a trust, or
- to sell a policy for money or money's worth.

How to complete the deed of assignment

You must ensure that you complete the deed correctly, based on your circumstances. If you are unsure how to complete the deed, you should seek advice from your legal or financial adviser.

These notes are for use with our draft deed of assignment only, and should be read before completing the deed. The deed can be used to assign one or more clusters within a policy. However, you must use a separate deed for each full policy to be assigned.

- Date the deed on the date it is completed and signed by all parties.
- Add the full name, date of birth and address of each of the current owners of the policy (the assignors).
- Add the full name, date of birth and address of each of the new owners of the policy (the assignees). If you're giving your policy to a trust the new owners will be the current trustees of the trust.
- The new policyholder (the assignees) needs to confirm whether they are the spouse, civil partner or child or the current policyholders (the assignors). This is to help us determine if we can grant membership to Liverpool Victoria Financial Services Limited for either / both of the new policyholder(s) (the assignees).
- Add details of the policy you want to assign, including:
 - the name of the life assurance company
 - policy number, and
 - the date the policy started.

- Confirm whether the assignment is:
 - a gift, or
 - a sale (by ticking the correct box).
- Confirm whether the assignees take ownership of the trust as:
 - sole owner
 - joint tenants
 - tenants in common, or
 - current trustees of an existing trust. (Where the assignees are trustees of a trust, they should add details of the trust to the deed of assignment).
- All assignors and assignees must sign the deed. Each signature must be witnessed by an independent third party. (This is an individual over the age of 18 who has no interest in the policy and is not directly related to any of the assignors or assignees). The assignees may be eligible for membership and by signing the deed they agree to become a member if they are eligible.

Money laundering requirements

In line with money laundering regulations it is necessary to confirm the identity of all new policy owners. We will usually do this by making searches at credit reference agencies and other organisations that hold your information (such as the electoral roll). The agencies and other organisations may keep records of these searches. We may use scoring methods to check identity, and we may ask for supporting documents.

In the event of a claim, any payment will be made to the legal owners of the policy. Where the legal ownership of the policy changes, we will verify the identity of the new legal owners prior to making any payments.

Find out how we use your personal information, and what rights you have by visiting [LV.com/dataprotectionlife](https://www.lv.com/dataprotectionlife). This includes who we are, how long we hold your information, what we do with it and who we share it with. Please ensure that you advise anyone else whose personal details are included on the deed of assignment where they can find this information. Please let us know if you'd like us to send you a copy, or have any questions.

You can get this and other documents from us in Braille or large print by contacting us.



Liverpool Victoria Financial Services Limited: County Gates, Bournemouth BH1 2NF.

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34631-2021 06/22