Early Termination

Freedom from financial commitments if personal circumstances change

Salary Sacrifice – Electric Vehicles & Protection from Early Termination Charges

What is salary sacrifice?

An electric vehicle salary sacrifice scheme lets an employee pay for an electric car each month using their gross salary – that's before tax and other contributions are deducted. It's the same as other salary sacrifice schemes, such as childcare, cycle to work schemes or pension contributions.

What is the benefit of electric car salary sacrifice?

Employees benefit from:

- Brand new electric cars which are otherwise expensive
- Income tax and National Insurance contributions savings
- Substantially lower cost of car ownership and savings on fuel costs
- Fixed, tax-free payments
- Low Benefit in Kind rates compared to petrol/diesel cars
- Getting ready ahead of 2030 diesel and petrol ban

Employers benefit from:

- Savings on Class 1A National Insurance contributions (NIC)
- Enhancement to the benefits package offered to employees
- Improved employee recruitment and retention
- A way to support employees who want to go green
- Reduced business mileage reimbursement costs
- Support for corporate social responsibility goals

Electric car BiK (Benefit in Kind) rates

The BiK rate for the financial year 2025/26 is 3%, and the current plan is for this to increase by only 1% each year until 2027.

On the other hand, petrol and diesel company cars will be taxed at car tax rates up to 37% depending upon the CO2 emissions.

Interested in talking to us?

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Risks to the Employer

There are many benefits to implementing a salary sacrifice programme, but it is not without risk to the employer. This is because it is the employer who signs the lease agreement, and is ultimately responsible for payment of the lease rentals and penalty charges.

If an employee returns a car early, the employer may find themselves responsible for as much as 40-50% of outstanding rentals. Depending on lease rentals and timing, this can run to tens of thousands of pounds per car.

Events which may cause an employee to return a car early include:

- **Resignation** of an employee leaving the employer with the problem of early termination if the vehicle cannot be reallocated.
- **Long Term Sickness Absence** suffered by an employee impacting their ability to continue with the lease arrangement.
- **Loss of Licence** if the employee has their driving licence revoked on medical grounds necessitating an early termination scenario.
- **Maternity / Paternity / Adoption** if the employee has a two door car, but with a new baby now needs a bigger car and needs to early terminate their current vehicle.
- **Maternity / Paternity / Adoption - Parental Leave.** The issue here is not about early termination, but that by law, staff are not allowed to sacrifice Statutory Maternity Pay or Shared Parental Pay or so much salary that it takes them below the national minimum wage. That means the employer is still liable for payment of the lease rentals, so if an employee is not getting paid enough to be able to sacrifice, the employer is liable to make up any shortfall.
- **Neonatal Care Leave** is a new employee right as of April 2025, adding an additional 12 weeks to the Statutory Parental Leave, again leaving the employer liable for payment.
- **Secondment / Expatriation** when the employee is transferred by the employer to work in a different country, leaving the employer with a potential early termination problem.
- **Redundancy** forcing early termination of the lease agreement.
- **Accidental Death** of an employee triggering the need for early termination.

Experience and **expertise**
you can count on.

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The Solution

Protection from Early Termination Charges from Great American

Great American's Early Termination solution covers the early termination charges and other risks associated with a salary sacrifice structure. With a Miscellaneous Financial Loss policy issued to the lessor, finance broker or fleet management company, they would be able to insure their financial losses sustained through offering their customers a "protection service".

We have solutions for the industry-standard penalties based on 50% of outstanding finance, as well as "top-up" cover for leasing companies that make reduced early termination charges, so that even panel-funded providers can benefit from a consistent offering to their customers.

Our innovative solutions can also cover unexpected costs such as monthly rentals, motor insurance and maintenance costs during parental leave.

Building a Solution for your Business

Please see below a list of items we would require in order to evaluate your enquiry.

Portfolio Overview

- Average Monthly Lease Rental
- Typical Lease Terms provided
- Industry Sectors of your typical customers
- Typical customer scale – major corporate, corporate, SME, local authority/government bodies

If you have an existing programme, we will discuss sharing more detailed data so we can more closely model a programme to meet your needs.

Programme Design

- Triggers for loss
  - Our standard cover provides insurance in the event of:
    - Resignation
    - Maternity/Paternity/Adoption
    - Maternity/Paternity/Adoption – Parental Leave and Neonatal Care Leave
    - Long Term Sickness Absence
    - Accidental Death
    - Secondment/Expatriation
    - Loss of Licence (on medical grounds)
  - Redundancy/Unemployment - available subject to additional conditions and limitations.
- Projected volumes anticipated in each of the next three years
- Proposed distribution methods
- Funder(s) you anticipate using

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Underwriting Considerations

- The basis of the early termination charge under the finance agreements e.g. is it 40% or 50% of the outstanding rentals?
- The typical interest rate on the finance agreements
- Details of the credit underwriting process
- How a resignation would be handled on a corporate account (e.g. driver resigns, but does another existing driver take over, or is the car returned?)
- We would want to confirm that this is mandatory, not voluntary attachment at employer level

Why Choose Great American?

Our team of experts is ready to analyse your needs for protection against Early Termination charges for electric vehicles purchased under salary sacrifice, and create a bespoke, cost-effective solution. Please contact us to discuss your requirements in more detail.

Collaboration. Solutions. Stability.

Collaboration: We build long-term partnerships with our brokers and clients based on a consistent, unified business approach, enabling us to deliver great service. You will get responsive service from locally placed individuals you can trust. You'll have access to decision makers in the field. We're an extension of you and support your relationship with your client.

Solutions: We don't just write standard policies. Our focus is to help you find the best insurance solutions for your clients, to write profitable business and capitalise on opportunities to enhance relationships. You will engage in effective dialogue with our team based on our deep-seated knowledge of the sectors we are involved in to develop a solution tailored to your business needs.

Stability: We bring you financial strength which is based on our clear, consistent and prudent underwriting strategy and delivery of long-term value for our customers and investors.

Put Great American To Work For You

You can count on our experience and expertise. Insurance is underwritten by Great American International Insurance (UK) Limited, which is a member of Great American Insurance Group and is A+ rated by Standard & Poor's. That's the financial strength you can rely on to protect what's important.

Please contact us to discuss your insurance requirements in more detail.

Experience and **expertise** you can count on.

Why work with us?

- Experienced underwriters
- Market expertise
- Flexible approach
- Financial strength – S&P A+ rating

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