

Overview of Group Risk Protection Insurance

Employer paid group life assurance, group income protection and group critical illness gives employees access to protection at no or low cost. In addition a generous basic level of cover can be given to all members of a group policy without the need to provide medical evidence and irrespective of their state of health.

Typically, insurance providers seek to capture medical details for only the top few earners within a business and, even then, they will still generally get a generous level of benefit which is free from medical underwriting. Where high earners are medically assessed for a higher level of benefit, this is generally only required once.

This is extremely advantageous – not only for those who might otherwise not be able to afford to make their own provision but also for those who have health conditions that might otherwise mean that they are either declined or charged extra premiums for cover under an individual policy.

It also gives people access to financial protection insurance without them having to do any of the hard work. The employer takes advice on the benefit design and cover levels, either aligned to their goals and contractual obligations or merely based on good practice. The employer will also take advice on the suitability of providers by way of a market review. This process is undertaken regularly and thus keeps design appropriate and costs down.

This way, nearly 12.5 million¹ employees have access to material levels of financial protection without personally having to take financial advice or worry about it being affordable, good value or the cost of advice.

Additional support

Understanding what comes along with a group risk policy (e.g. HR support, Employee Assistance Programmes, vocational rehabilitation, help in encouraging better health behaviours, counselling etc) – and when and how to use it – is vital and merits equal consideration along with pure price and core benefits.

With the help of their adviser, employers will make full use of these additional services to support their business and employees. They can be extremely effective in keeping people in the workplace, giving them the help they need to make life changes and supporting them back to work. They can also save employers money elsewhere and can be used by HR, line managers and staff on a daily basis - even if a claim is never made under the policy.

¹ Swiss Re “Group Watch 2018”



Group Risk Products

A brief description of group risk protection insurance products (group life assurance, group income protection and group critical illness) is set out below.

Group life cover

A policy taken out by an employer to provide a lump sum benefit payable on the death of an employee.

Group life assurance is traditionally valued by employees and has become an essential core benefit for attraction and retention.

53,318 policies cover 9.5 million people for death benefits valued at £1,227 billion² (40% of all insured UK life cover³).

The group risk industry paid out 9,404 death claims in 2017, valued at £1.067 billion. The average claim was £113,479⁴.

Group income protection

A policy taken out by an employer to cover their promise to provide sick pay to employees if illness or injury prevents them from working for a prolonged period. It can also replace lost income where an employee has to take a part-time or lower-paid position because of illness or injury.

If the employee cannot work due to illness or injury the policy will pay a benefit of a proportion of their salary. The benefit is paid to the employer and then passed on to the employee through the PAYE system. The benefit level is designed to ensure that the employee will be able to maintain a reasonable standard of living but still has a financial incentive to return to work. Tax, national insurance and pension contributions continue to be paid in the normal way.

Insurers will also work with the employee and their employer to get them back to work as soon as it is appropriate, often by providing access to help or even treatment – e.g. by providing access to physiotherapy or talking therapies – which may not otherwise be available to the employer or employee.

17,442 policies cover 2.4 million people for annual income protection benefits totalling £86.6 billion⁵ (80% of all insured UK income protection cover)⁶.

² Swiss Re “Group Watch 2018”

³ Swiss Re 2018

⁴ GRiD 2018 Claims Survey

⁵ Swiss Re “Group Watch 2018”

⁶ Swiss Re 2018

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Group Critical Illness

A policy taken out by an employer to provide a tax free lump sum to an employee on the diagnosis of one of a defined list of serious conditions or on undergoing one of a defined list of surgical procedures. There is usually a choice of base or core cover (which insures against some of the most serious critical illnesses) or base/core plus additional cover (which insures against a number of additional serious conditions too).

The benefit is paid once the employee has survived for a specified period (14, 28 or 30 days). Most insurers will also offer the option of a benefit for a covered employee who is assessed as being permanently and totally disabled but not otherwise able to claim for one of the conditions covered by the policy, in which case, the employee usually needs to have been permanently and totally disabled for more than 6 months.

Where cover is paid for by the employer, corporation tax relief is given on the premiums, the employer is liable for Class 1A National Insurance contributions on the premiums and premiums are treated as a P11D benefit for employees.

3,679 policies cover 571,848 people for critical illness benefits totalling £37.3 billion⁷. (Please note that this is still a relatively new product when compared with group life assurance and group income protection so the coverage is not yet as extensive.)

Everyday help and support

As well as meeting claims, group risk providers also provide everyday help to HR, line managers, business owners and employees alike. This is partly to give value on a daily basis - as making a claim is not an everyday occurrence - but mostly to help mitigate worst-case scenarios or to pick up the pieces when these can't be avoided.

It's not practical to list everything, but for employers support can include HR and employment-law advice, legal document-writing systems, absence management, telephone support for difficult situations and mediation.

For employees, help can include access to an Employee Assistance Programme, second medical opinion, fast-track access to counselling, physiotherapy or treatment, helping people make changes towards better health behaviours, liaison and mediation, bereavement support and help with probate.

7,879 people accessed extra help and support during 2017 following a referral by a group risk insurer⁸, in addition to countless self-referrals.

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⁷ Swiss Re "Group Watch 2018"

⁸ GRiD 2018 Claims Survey

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Information for this article has been provided by GRiD

About GRiD

Group Risk Development (GRiD) is the industry body for the group risk protection sector, promoting the value to UK businesses of providing financial protection for their staff, enhancing their wellbeing and improving employee engagement. Our membership includes insurers, reinsurers and intermediaries who have a collective wealth of experience built over years of operating in the group risk protection market. GRiD aims to promote group risk through a collective voice to Government, policymakers, stakeholders and employers.

GRiD works with government departments and regulators involved in legislation and regulation affecting group risk benefits, and with other organisations involved in the benefits and financial protection arenas. GRiD also seeks to enhance the industry's standing by encouraging best practice and by participating in industry-wide initiatives such as the professional qualification in group risk developed jointly with the Chartered Insurance Institute.

GRiD's media activity aims to generate a wider awareness and understanding of group risk products and their benefits for employers and employees.

www.grouprisk.org.uk

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