**Group Risk Development (GRiD)**

**Overview of Group Risk Protection Insurance**

Employers will often promise certain benefits (e.g. death benefit and/or occupational sick pay) to employees as part of the contract of employment. Rather than bear all of this risk themselves, the majority of employers choose to take out group risk insurance policies to cover some or all of their liability to provide death benefits, occupational sick pay and critical illness benefits.

It’s important to recognise that employers are not obliged to provide any of these benefits, and those that do therefore make a sizeable contribution towards building financial resilience and protecting the UK population against the financial devastation of loss of earnings as a result of death, illness, accident or disability.

### Inclusivity

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

Typically, group risk 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 million[[1]](#footnote-1) 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

The group risk market plays a significant role in supporting employers to provide protection products through the workplace and to help their people through difficult or distracting times. In addition to the core benefits, many providers include associated benefits/services within their contracts to help support and assist the employer and employees.

Understanding what comes along with a group risk policy (e.g. HR support, Employee Assistance Programmes, vocational rehabilitation, fast-track access to CBT, 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, astute 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.

### 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 assurance

### A policy taken out by an employer to provide a lump sum benefit and/or a spouse’s/dependants’ pension payable on the death of an employee whilst in service. While some group life benefits are provided as part of an occupational pension scheme others will be provided under ‘stand-alone’ schemes without any link to a pension scheme.

### 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 billion[[2]](#footnote-2) (40% of all insured UK life cover[[3]](#footnote-3)).

The group risk industry paid out 9,404 death claims in 2017, valued at £1.067 billion. The average claim was £113,479[[4]](#footnote-4).

**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.

Group income protection can replace an ill-health early retirement promise following the closure of a defined benefit (final salary) pension scheme. It can maintain an employee’s financial resilience when illness or disability prevents them from working but it is also a business continuity tool, providing the support needed to get employees back to work in a timely manner. Where this is not possible, of course, it provides an employer with the financial advantages of having insured their liability to continue salary in the event of a long-term sickness absence.

17,442 policies cover 2.4 million people for annual income protection benefits totalling £86.6 billion[[5]](#footnote-5) (80% of all insured UK income protection cover)[[6]](#footnote-6).

The group risk industry paid out £466.5 million in annual income protection benefits to a total of 15,322 families during 2017, thus saving the State considerable burden, both before and after State Pension Age. The average new claim amount was £24,257 pa[[7]](#footnote-7). These figures represent one year’s worth of benefit payment but group income protection claims are often paid for several or many years so the ultimate value of these benefits will be much higher than those stated.

For group income protection, as well as the claims paid, many people are helped back to work both before and after a claim becomes payable, with the support of the insurer.

2,989 people (33.1% of all claims submitted) were helped back to work during 2017 through an early intervention initiated and often paid for by a group risk insurer, such as fast-track access to counselling, physiotherapy or other treatment. 52% of these people had help overcoming mental illness and 17% had support overcoming a musculoskeletal condition 7.

On top of this, out of the 5,255 group income protection claims that went into payment during 2016, 1,955 people were helped by the insurer to make a full return to work during that year or during 20177. This shows that even once a group income protection claim is in payment, help and support back to work continues and people are not forgotten.

**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.

A group critical illness pay-out can supplement sick pay or may be used to cover the cost of cancer drugs, palliative care or home adaptations.

3,679 policies cover 571,848 people for critical illness benefits totalling £37.3 billion[[8]](#footnote-8). (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.)

The group risk industry paid out £84.3 million in critical illness benefits to a total of 1,180 people during 2017. The average claim was £71,463[[9]](#footnote-9).

**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 insurer[[10]](#footnote-10), in addition to countless self-referrals.

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**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](http://www.grouprisk.org.uk)

1. Swiss Re “Group Watch 2018” [↑](#footnote-ref-1)
2. Swiss Re “Group Watch 2018” [↑](#footnote-ref-2)
3. Swiss Re 2018 [↑](#footnote-ref-3)
4. GRiD 2018 Claims Survey [↑](#footnote-ref-4)
5. Swiss Re “Group Watch 2018” [↑](#footnote-ref-5)
6. Swiss Re 2018 [↑](#footnote-ref-6)
7. GRiD 2018 Claims Survey [↑](#footnote-ref-7)
8. Swiss Re “Group Watch 2018” [↑](#footnote-ref-8)
9. GRiD 2018 Claims Survey [↑](#footnote-ref-9)
10. GRiD 2018 Claims Survey [↑](#footnote-ref-10)