

Press release
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Imperative for group risk providers, advisers and employers to work together in light of legislative change, or risk being left behind, says GRiD

Legislative changes are always a challenge for UK plc, and the most recent ones are no exception. For those employers looking to offer group risk financial protection for their staff (employer-sponsored life assurance, income protection and critical illness), Group Risk Development (GRiD) highlights five key changes and what businesses need to do to not get left behind.

DWP/DH Improving Lives: The Work, Health and Disability Green Paper

The DWP and DH green paper on work, health and disability highlights the important role that group income protection can play in supporting employers' health, wellness and attendance programmes. As a result of the consultation, we are proactively urging the Government and industry to step up to play their parts in raising awareness of the importance of occupational sick pay and vocational rehabilitation in achieving financial resilience. Support is available to communicate this important benefit, and progressive employers utilise it.

Delinking group life from pensions

Although the Government's consultation on pensions tax relief was put on hold until after the Brexit vote, we anticipate that this will be resumed and the outcome could well roll into the next Budget.

The linkage of death benefits with pensions legislation has become more problematic in recent years, especially given the reduction in the Lifetime Allowance. We believe it is imperative that there is special consideration of group death in service benefits if pension tax relief is reformed, and will be making a case for a separate tax regime to be established for death benefits to ensure that unintended consequences (which would be damaging for employers, a large section of the working population and the State) are avoided. Employers need to be aware of how this situation progresses so they can be prepared for any potential impact to their business.

Delinking group income protection from state benefits

The reduction of Employment & Support Allowance from April 2017 will impact most group income protection policies. In current terms, this means that new ESA claimants who are placed in the work-related activity group will receive £3,801 instead of £5,312 a year. It's more important than ever that advisers and group risk providers work closely with employers to review group income protection benefit design to ensure there are no shortfalls in cover, it is fit for the modern, post-welfare reform world and meets the needs of today's business.

Insurance Act

Employers insuring benefits must review their data-gathering protocols so that they don't fall foul of the Insurance Act 2015 which came into effect on 12 August 2016.

This places more onus on employers and advisers to ensure the right information is made available to insurers so that they can accurately assess the risk they are taking on - for example, full and accurate details of people who are off sick and why.

Group risk benefits pay out in what are generally catastrophic circumstances for employees and their families and it's vital that all those involved in their set-up and ongoing operation act with due diligence and care. It is critical that employers seek expert advice on the potential impact of such changes to ensure there are no shortfalls in the cover they intend to offer their staff.

Salary Sacrifice

Draft legislation limiting the range of benefits that attract income tax and National Insurance contributions advantages when provided as part of a salary sacrifice arrangement has now been

published. Remembering that this is still in draft so could be amended, this appears to exempt death in service schemes written through a registered pension scheme but excepted group life policies and group income protection do appear to fall within scope of the changes.

More than ever before, employers must work closely with their group risk providers and advisers to ensure they get value for money within their flex programmes. This is not just about how the timeline will impact actual benefits but also about the extra supportive services that come with group risk policies (for example, Employee Assistance Programmes, HR and legal advice, absence management, etc). Making efficient use of such services is a key differentiator between those employers that optimise their budget, and those that don't.

Katharine Moxham, spokesperson for GRiD says: Nothing stays still and this is true for the group risk financial protection market. There are some particular challenges that we believe employers will face this coming year and there has never been a better time to seek expert advice from advisers and build strong relationships with providers. Our industry is at its best when we work together; we develop extraordinary solutions to support employers and their staff and we expect to see more creative solutions in 2017. Great value is there to be had for the savvy employer, and those that don't make the most of opportunities will be at risk of being left behind.

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Notes for editors

About GRiD

Founded in 1998, Group Risk Development (GRiD) encourages awareness and uptake of corporate group protection benefits . income protection, group life insurance and critical illness cover . on behalf of its members which include insurers, reinsurers and intermediary businesses. Under the chairmanship of Lee Lovett, CEO of Ellipse, GRiD aims to enhance the industry's profile among media and stakeholder groups. The Group provides a collective voice to Government and participates in industry wide initiatives such as the qualification in Group Risk launched jointly with the Chartered Insurance Institute. In May 2009, the Group appointed its first dedicated spokesperson, Katharine Moxham, to provide expert media comment on a full range of group risk issues.

www.grouprisk.org.uk

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