

Group Risk Services

Reviewing group risk plans can result in reductions to premium costs, particularly if the insurance has remained with the same insurer for some time. Even if the claims history reveals that there have been past claims it can still be worth reviewing the market.

In the case of Group Income Protection, ongoing payment of benefits to current claimants remains with the current insurer and it is still possible to move the cover to a different insurer.

Another recent trend, although this does constitute a change to terms and conditions of employment, is to consider limiting the period of claim covered by a Group Income Protection policy on the premise that employees will typically only work for a company for a period of say, seven years and hence it seems inconsistent to provide cover that pays out until a claimant's normal retirement date.

When reviewing employee costs, attention is often given to the larger overheads such as salaries and pension scheme costs. It can be easy to overlook the costs associated with insured employee benefits, such as life assurance, income protection and private medical. The collective name for such group employee insurances is "group risk".

The advantages of reviewing group risk arrangements are threefold: to ensure the range and design of benefits continues to meet the company's needs and budget, to check the providers' terms remain competitive and, finally, to assess the impact of legislation.

Some insurers will offer group risk arrangements for as few as three employees. Group arrangements can offer advantages over individual insurances such as reduced medical underwriting, lower insurance costs and lower administrative burden.



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CASE STUDY

Following a merger, our client had several categories of employees requiring life assurance cover. Some employees were members of the company's closed defined benefit (DB) pension scheme, some were members of a group Stakeholder pension plan and some employees were not members of any pension arrangement.

Working with the trustees of the DB scheme, the company and their legal advisers drew up a plan to modify the life assurance arrangements:

- Where possible benefits were harmonised across the group (ring-fencing prior entitlements where appropriate);
- To satisfy the provisions of the Pensions Act 2004, life assurance through the DB scheme was stopped for employees not eligible for DB pension benefits, and a standalone group life scheme was established;
- The two group life assurance policies were placed with the same provider and linked to achieve economies of scale and competitive terms;
- Some individual top up insurance policies that had been established for senior executives were no longer required;
- Care was taken that no transitional A Day protections were prejudiced by the restructure; and
- The company took the opportunity to increase the life assurance age limit to 70 as a few employees were over 65 with no signs of wishing to retire.

The outcome of the harmonisation and restructuring led to some real long term savings and a simpler suite of insurances to manage for the future.

The company is currently weighing up the option of further simplifying life assurance benefits by replacing DB members' death before retirement pension benefits with an enhanced multiple of salary benefit payable as a lump sum; thus delivering death benefits in a more tax efficient way for dependants.

For further information

Or to discuss how we may be able to help you, please contact your usual Barnett Waddingham contact or email:

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