

## INDUSTRY INSIGHT



Simplified admin and minimal underwriting requirements mean that employers usually insure more cost effectively than their staff can individually, but the big bonus may be that they can also protect those who might otherwise find it difficult to get similar insurance, says **Bob Cheesewright**, group risk marketing manager, Friends Provident

## Including the excluded

Group insurances can be used to match the promises employers make to their staff to provide them with the likes of death-in-service benefits, occupational sick pay, critical illness cover and medical expenses cover.

Simplified administration and minimal underwriting requirements mean that not only can employers usually insure more cost effectively than their staff could buy it themselves, but they can cover people who might otherwise find it difficult to get similar insurance.

The group market has shown modest but relentless growth. Many of today's schemes were first introduced a generation ago in response to exchange rate pressures that made increasing salaries unfeasible for many employers. The market is still flourishing. For 30 years I have seen forecasts that group risk insurance would be made obsolete, with flexible benefits taking over, enabling employees to tailor cover to their needs. Apparently not, as such benefits represent about 2% of the insurance market. Admin costs, risk control issues and a host of regulatory and legislative obstacles have left flex schemes in a niche market. In addition,

endless welfare reform, regulatory initiatives and anti-discrimination legislation have been predicted to either render group risk benefits redundant or make them prohibitively expensive. Perhaps, but not so far, and we remain hopeful that awaited clarification of the latest age discrimination regulations around group risk will remove lingering concerns that cost might get out of control.

So why have group risk policies proved so resilient? The purpose remains a means to attract and retain key staff, but I suggest that the basis of the attraction has changed.

The financial press has carried many stories that the British public are hideously underinsured. Reinsurer Swiss Re estimates that we would need to pay at least a further £10bn per annum to close the national protection gap and without employer-financed, hassle-free cover the gap would be wider. Looking at the motivation behind the new schemes introduced today, I think I see a common factor. The new clients are firms where team culture is highly developed and investing in people is a core process, not a slogan. Insured benefits help to

underpin that "one-for-all and all-for-one" ethos without exposing the employer to hideous financial risk.

Occupational sick pay provides a clear example. Let's suppose a respected employee who is helping to build the business has had the misfortune to be off work for a long time. Without insurance, a developing business is likely to face invidious choices. The message "thanks for your valued contribution, sorry you are too ill to sustain the effort so you are fired," does not carry the right sentiment.

With insurance, the employee is supported financially at no additional cost to the firm, rehabilitation initiatives may enable them to contribute to the business once more and pension and life cover is maintained. However, it does not stop there, these benefits can be built into absence-management policy and form part of the infrastructure sustaining profitability.

There have been threats and opportunities but group risk benefits find a role and ride the storms. I believe the fundamental reason why is because they do useful things and do them both well and cost effectively.

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