



## Corporate Wrap, Employee Wealth and Workplace Saving – The Future?

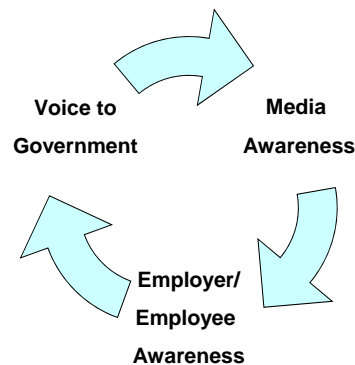
### Group Risk Offerings via Corporate Wrap

TISA Corporate Wrap Seminar  
Employee Wealth and Workplace  
Saving – The Future?  
15 September 2011  
Katharine Moxham



### Introduction to GRiD

- Formed in 1998
- 50 or so members
- Insurers, Reinsurers and Intermediaries
- Aims to promote & enhance status & uptake of Group Risk protection benefits





## Corporate Wrap, Employee Wealth and Workplace Saving – The Future?

### Value of Protection

**WAKE UP EXERCISE!**



### What is Group Risk?

- Umbrella Term for 3 Company sponsored benefits
  - Group Life Insurance
  - Group Income Protection
  - Group Critical Illness
- Often Insured
- Give employees access to protection
- Free or reduced cost to end user
- Fewer medical details & “Once and Done” underwriting
- Highly valued but relatively inexpensive
- Can cease at 65/SPA



## Corporate Wrap, Employee Wealth and Workplace Saving – The Future?

### Group Life

- Provides a benefit on employee's death
- Most common employer sponsored benefit
- Often sole life insurance provision for low to middle income individuals
- Through a pension scheme or stand alone
- HMRC registered occupational pension scheme framework
- Tax free lump sum up to LTA/taxable dependants' pension
- Can be flexed
- Can provide benefits in excess of LTA through "excepted" route



### Group Income Protection

- Provides a continuing income on employee's illness or injury
- Used to cover Employer's contractual promise of long-term sick pay
- Employee stays on the payroll
- Can replace lost income for part-time/lesser role on return to work
- Payable after a waiting period up to 65/SPA or for a fixed period
- Where fixed period, with or without lump sum
- Most plans integrate with State provision
- No prescriptive governing legislation
- Added value services
- Not often flexed





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### Group Critical Illness

- Pays a tax free lump sum to employee on diagnosis of one of a defined list of serious medical conditions or on undergoing one of a defined list of surgical procedures
- Benefit paid after survival for specified period
- Optional T&PD in addition
- Most commonly flexed/voluntary
- Increasingly popular



### Group Risk Stats

The Group Risk industry provides an extensive safety net

- Through 48,000 schemes, covers 7.85 million people for life assurance valued at £860 billion (40% of all insured UK life cover)
- Through 17,500 schemes, covers 1.79 million people for income protection benefits totalling £48.37 billion (75% of all insured UK income protection cover)
- Through 2,209 schemes, covers 305,600 people for critical illness benefits totalling £19 billion

(Swiss Re Group Watch 2011 and Swiss Re Term & Health Watch 2011)



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### The UK Protection Gap

- **Life Assurance** £2.4 trillion (£2,400 billion) end 2010  
Context (Swiss Re 2010) - half the UK adult population (i.e. around 24 million people) has a life protection gap averaging £100,000, with the greatest gaps in percentage terms among those aged between 25 and 40)
- **Income Protection** £190 billion annual benefit end 2010

#### Without Company Sponsored Insured Group Risk.....

Life Assurance over £3.26 trillion (£3,260 billion)  
Income Protection over £238 billion per annum

(Swiss Re 2011)



### Changing Landscape of Employment

#### Demise of Paternalism

- No jobs for life
- Less employee loyalty
- One size does not fit all
- “Nudge”
- Greater focus on need to attract and retain

#### GRiD Research 2010

- **38.9% of employers see no obligation to offer financial support to employees or dependants on disability or death**
- **Only 10.6% see it as their duty to offer high levels of financial support to disabled employees or bereaved dependants**
- **However, over a third of employers with group risk benefits believe they help recruit and retain key personnel**





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### Changing Landscape of Employment

#### Greater Risk Sharing

- Defined Benefit to Defined Contribution Pensions
- Compulsory to Flexible Benefits
- PMI - Cancer Drugs



### Changing Landscape of Employment

#### Auto-Enrolment

- Government has recognised the pensions savings gap
- Extra money to find
- Admin burden
- Redesign

#### Implications

- Benefits on agenda
- Increase in flex?
- Funds purchasing protection?
- Should protection have come first?





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### Changing Landscape of Employment

#### Welfare Reform

- State support is changing
- Greater personal responsibility
- Greater onus on employer to rehabilitate / accommodate

#### Implications

- Less amount for less time
- No longer unconditional - you must be work ready
- Are employers ready?



### Changing Landscape of Employment

#### Longer Working Lives

- No DRA
- Extended SPA
- New working patterns

#### Different Needs

- Family breaks
- Graduate debt
- Flexible working
- Choice for changing needs



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### Changing Role of Employer in Providing Protection

- Attraction and retention
- Business continuity
- Flex/voluntary
- Risk share
- Not indefinitely
- Re-emergence of personal responsibility
- Diversity
- Part of a composite package
- Interaction with other benefits

**Employer's role is changing to one of facilitator**



### Employer Priorities

#### Employers seeking

- Help with reward strategy
- Consolidated view of benefits for employees
- One-stop online self-service for employees
- Good ROI on existing benefit spend
- Better employee appreciation, understanding & usage
- Cost containment and alternative pay strategies
- Easy reporting

**= Flex/Benefits Portal, Corporate Wrap**





## Corporate Wrap, Employee Wealth and Workplace Saving – The Future?

### Employee Hierarchy of Needs



### What If...

...Corporate Wrap included  
Group Risk protection?



## Corporate Wrap, Employee Wealth and Workplace Saving – The Future?

### Group Risk & Corporate Wrap

#### Advantages

- Added value extra
- Brings platform closer to flex/benefits portal
- Inclusion - gives employees easy access to protection
- Meets social need
- Free or reduced cost to end user
- Fewer medical details & “Once and Done” underwriting
- Highly valued but relatively inexpensive

#### Need to deal with

- Anti-selection issues
- Size of benefit
- Who bears cost?
- System interfaces



### What could this look like?

- Employer sponsored?
- Employer facilitated?
- Flexed?
- Voluntary affinity scheme?
- Flat rate benefit for all?
- Platform sponsored with opt out?
- Platform sponsored at core level with flex up/opt out?
- Enrolment companies?





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### Group Risk & Corporate Wrap

**Let's Talk!**

