



What is Group Life Assurance?

Group Life Assurance is the most common employee benefit, provided by 91% of companies according to the latest benefits research from Employee Benefits magazine¹. Sometimes referred to as Group Death in Service (DIS), a Group Life Assurance scheme provides a benefit on the death of an employee. The benefit is usually a tax-free lump sum or a taxable pension.

The amount of cover is usually determined as a multiple of salary, but can be expressed as a fixed amount. Employers may choose to provide different cover levels for different categories of staff, or they may choose to exclude some groups altogether.

¹Benefits Research 2017: Core benefits, Employee Benefits Magazine, May 2017.

Why provide Group Life Assurance?

The life cover provided under an employer scheme can be the sole source of financial protection, especially for low and middle income earners. However, pension reform legislation and auto-enrolment is likely to reverse this over the coming years. Whilst Group Life Assurance may have little value for those employees who are single or have no dependants, it should be considered as part of the overall benefits strategy alongside Group Income Protection and Employee Assistance Programs for example.

What factors affect the cost of life cover?

Cover levels typically start at two times salary, but the cost of cover can vary widely according to several factors:

- **Industry/occupation** - cover will be more expensive in businesses where employees are perceived to be more at risk. In other words, lorry drivers will be more expensive to insure than accountants.
- **Location** - typical life expectancy varies across the UK, with those in London and the South East living longer than those in Scotland and the North West, where businesses are likely to pay more for Group Life cover.
- **Claims history** - employers with existing schemes will, like any insurance policy, find that premiums increase as claims do. The claims experience of a provider in general will affect the premium rates regardless of the history of the individual firm.
- **Employee profile** - employers will be asked to supply details of the history of the individual firm.

Underwriting

The provider will ask for information about the employer and the staff to be covered. This will include the job title and age of employees as well as the location of the firm and the nature of its business. The provider may decide that further information is required for particular members in order to accurately assess the risk and determine the cost of cover. In some cases medical questionnaires or examinations may be required and some members may have exclusions or special conditions for their cover.

All providers will have a free cover limit. This is a value up to which they will insure a scheme or individual member without requiring medical evidence. Usually they will require medical evidence with the cover required exceeds the free cover limit.

How much does it cost?

The premium cost of Group Life is usually expressed as an annual 'per mille rate'; a monetary cost for each £1000 of cover. For example, a rate of 1.75000 for a company with a total sum assured of £10,000,000 means that cover will cost £17,500. As a very rough guide, unit rates among our existing corporate clients range from as little as 0.779 (for a small office-based firm in London) to as high as 2.282 (a retail business based in the North West). Life cover of four times salary typically costs less than 0.5% of payroll².



²Cover versions, Edmund Tirbutt, Employee Benefits Magazine, Group Risk Supplement, July 2012.



Managing a group life policy

Arranging group life policies has its challenges - the market is very dynamic, as providers and rates change on a regular basis. So there are a few key points to consider to get the best out of any existing or new Group Life or other Group Risk scheme:

Don't simply renew

Your provider will offer terms at renewal. Always seek alternative quotes. We still come across companies who've remained with the same provider for years. By researching the market, you could secure a substantial - and it doesn't always mean moving the scheme.

De-link group life from pension scheme membership

Consider the implications of two employees being killed in an accident. What if one of them had joined the pension scheme and the other hadn't? The impact on perceptions of the employer and its employment brand could be significant.

Pay attention to scheme design

Should all your staff be covered at the same level, or is tiered cover more appropriate? Do employees qualify to join the scheme immediately or on completion of a probation period? What happens if someone dies during probation? Taking informed decisions on the benefit design can also control the scheme cost.

Making a claim

Problems and delays are the last thing you want when dealing with the already difficult and sensitive issue of a death claim. The claims process begins by informing the provider of the member's death - usually by completing a form and providing the death certificate. You may also need to provide marriage certificates or birth certificates where a dependent's pension is to be paid to the spouse or children.

When a claim is approved, the benefits are usually paid to the Trustees, who must then distribute the funds appropriately to the beneficiaries. The trustees may be appointed by the employer; this is known as Own Trust, or a prescribed Trust provided by the insurer; sometimes called a Master Trust.

There is usually the option of completing an Expression of Wish or Nomination of Beneficiary form giving the Trustees guidance as to who you would like to receive the money in the event of your death. This can be a particular help in expediting the process where the deceased did not have a will in place, as it gives the Trustees an indication of the member's wishes. However it should be noted that the beneficiary nominations by the member are not binding.

Bereavement services

Some group life policies offer additional benefits within the cost of the plan. For example, the scheme may provide the member and their family with access to legal and financial guidance including probate, grants of representation and family disputes. Schemes may also provide access to telephone counselling services for those who have been bereaved.

Small print

If you have Group Travel policy, check the small print. Some policies include a personal accident element which may well cover employees travelling at any time in the UK. An employee of a client company of ours was killed in a car accident. Six months later an insurance review identified that the travel policy had a personal accident benefit which then paid out £22,000 to the company.

Advice

There's no substitute for advice from somebody in the know. If you've any queries about your existing group risk policies, from renewals to benefit design, or if you're considering a new scheme, seek advice at an early stage. Mistakes can be costly.

