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Protection, health and wellbeing

How to...

# audit your employee benefit schemes

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Johnson Fleming

Group Pensions | Group Risk and Healthcare | Service Provision

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# 1. Introduction

For many, reviewing their employee benefits can be a bit like renewing their car insurance. Provide the same details as last year, ask all the different providers and then go with the cheapest. That is if they are reviewed at all or just continue to be placed with the same provider.

However, there should be more to reviewing employee benefits than this. The market and legislation is forever changing, existing products are changing and new products are becoming available to the market. Not only that but the workforce demographic is often in a state of flux, and the economic, social and political changes in the country will have a knock on effect on what your employees need from their benefits scheme.

We firmly believe to ensure you continue to get the most out of your insured benefits, conducting a regular full audit of your schemes is the best thing to do. It can help you identify historic elements of the schemes that are no longer relevant, different ways to adjust the level of premiums you pay and also get an understanding of whether your current benefits package is appropriate and delivering value for money. It can also help you understand whether the service you receive from your current provider or adviser is effective.

To assist you with this we have looked at three key insured benefits; group income protection, group life assurance and private medical insurance, and have provided you with some key areas to think about.



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here.** *Always there*

## 2. Auditing your...

# Group income protection scheme

Providing an income to an employee when they are unable to work due to illness or injury is a valuable benefit to employees.

However, the policy can provide much more than just this income. It can provide valuable support, in the form of early intervention and rehabilitation services, which can help prevent a claim being made in the first place. It also gives employers access to a third party to assess the absent employee, removing those awkward conversations from the business and can also help support that all important absence management programme.

So, when auditing your group income protection provision what are some of the things you should be looking at?



## What to consider...

With the changes in state benefits many companies are removing the state benefit offset from their schemes. Does your scheme still include this and if so, is it right for your employees and business?

Is the escalation on your policy comparative to current wage increases? If not do you want your absent employees benefiting from wage increases that may be greater than those who are at work?

Does your current definition of occupation, allow for easy return to work, or could those currently off use their skills in other ways?

How does your current scheme complement your existing sick pay and absence management arrangements?

What is the maximum benefit age on your scheme, is it appropriate for your current workforce demographic and in line with current legislation?

Have changes to your business been taken into account in your benefits structure?

What value added benefits does your current scheme offer and how can they be used as a preventative measure?

What trends have you spotted within your claims/absentee records and how can these be used to help reduce claims?

## TOP TIPS

1. Carry out regular reviews that look at the scheme and the business requirements – not purely the premiums.
2. Ensure your private medical insurance and group income protection insurance work together. This provides maximum support and avoids duplication, resulting in potential premium reductions.

### 3. Auditing your...

## Group life assurance scheme

Group life assurance is often at the core of many business benefit structures. When communicated properly this benefit is greatly valued by employees, as it financially provides for their beneficiaries at the time of their death. Often linked to pension scheme membership, the recent auto-enrolment changes that have had such an impact on the make-up of companies pension schemes, have also had a knock on effect on group life assurance, which coupled with the reduction in the lifetime allowance earlier this year, means a review of their current structure is essential.

#### What to consider...

**If you are looking to switch providers, what is your new provider's stance on cover remaining in place for those on long term absence? Will this leave your business open to uninsured contractual liabilities?**

**If your scheme is linked to pension membership, how have the newly auto-enrolled members affected the make-up of those covered by your life assurance, and what impact will this have on your premiums?**

**Do you still have a death in service pension provision and is this the most cost effective option for your business?**

**How do you provide for those employees impacted by the lifetime allowance, and how have you assessed this to ensure the most appropriate cover is in place?**

**When did you last review your Trust Deed and Rules to ensure they are up to date and that benefits are paid in the most tax efficient way?**

**Do you currently operate a trustee bank account for the payment of death benefit?**

**When did you last carry out an Expression of Wish update exercise to ensure you have the most up to date details on your employees personal circumstances?**

#### TOP TIPS

1. If this benefit is linked to pension scheme membership, auto-enrolment may have significantly affected the profile of those with access to the benefit.
2. Keeping legal documents up to date is essential to ensure the policy is operated correctly.

## 4. Auditing your Private medical insurance scheme

With cuts to the NHS and waiting times increasing, private medical insurance remains a very highly valued benefit to employees. However, it can also be of a very high cost to provide. So what can you do to continue to offer this benefit whilst keeping premium levels reasonable? Here are a few simple things to consider when shaping your private medical insurance schemes.

### What to consider...

<b>Are your current excess levels appropriate and what impact would changing these have on your premium?</b>
<b>Is your private medical insurance scheme being used to treat a lot of similar injuries or illnesses, and how can these be addressed through preventative measures?</b>
<b>Do you currently have an Employee Assistance Programme (EAP) and is this standalone or linked to another benefit?</b>
<b>Do you regularly communicate with your employees about the claims process for their private medical insurance, healthy lifestyles and other supporting benefits?</b>
<b>Do you also currently offer a cash plan scheme to support your current protection, health and wellbeing provision and are you using it to control premiums and therefore reduce P11D liabilities for your employees?</b>
<b>What preventative benefits do you offer, and do you communicate these to your employees and insurers?</b>

### TOP TIPS

1. Communicate to employees the route they should follow when making a claim to help manage premiums. Doing this can also help reduce unnecessary claims.
2. Ensure you have a strong preventative programme in place as part of your employee benefits.

## 5. Making them work together

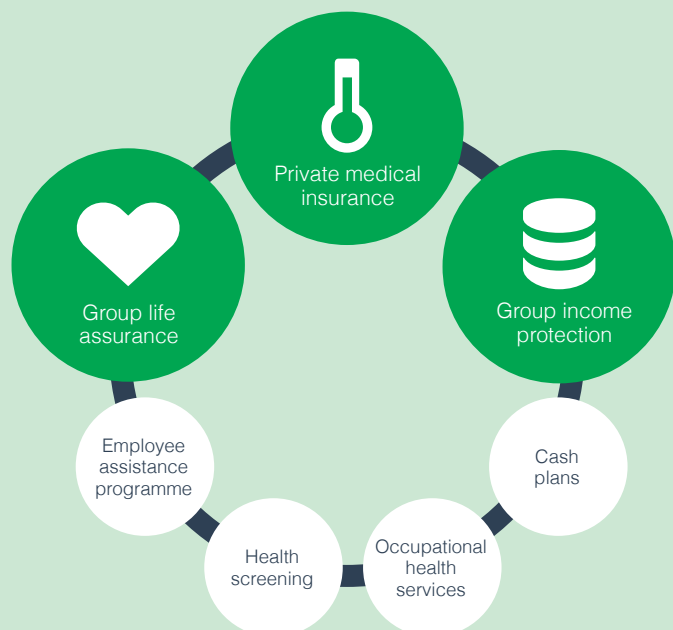
We have looked at some of the key insured benefits separately here, but when reviewing and auditing your wider employee benefits it is important to look at them as one. This is because there may be some areas where benefit provisions overlap, particularly when looking at group income protection and private medical insurance. It is important that you identify the most appropriate product and structure your benefits accordingly to maximise effectiveness and minimise premiums.

For example, it could possibly be more appropriate for an employee to claim physiotherapy under a cash plan rather than through private medical insurance, this controls PMI claims and potentially manages cost. As there is no requirement for a GP referral it could also speed up access to treatment, therefore reducing absenteeism.

It is also worth considering how these insured benefits can work with other health and wellbeing benefits or initiatives you may have. Do you hold regular wellbeing roadshows or provider days at your workplace? Do you advocate a healthy lifestyle through cycle to work schemes or gym membership? Is Friday fruit day in your office? Not only will this have a preventative impact on the likelihood of absence within your workforce and promote a healthy environment, but if you can demonstrate this commitment to healthy living and its results to insurers it may also have a positive impact on premiums at time of policy renewal.

Looking at all benefits together can also help you to harmonise their renewal dates, meaning the review becomes a once a year event rather than having to manage numerous different reviews at different times throughout the year.

Once you have got that structure right it is then important to communicate and engage with your employees to show them how all of the benefits are designed to work together to support their wellbeing. You can look at whole communication strategies, face to face presentations or even just updates to your intranet page. Just a little change can make a big difference.





## 6. Summary

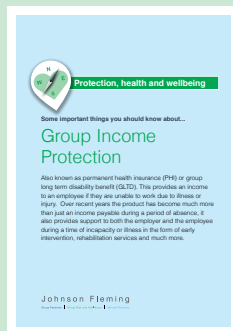
Looking deeper into your benefits at time of renewal or change within your business, can help you to ensure that they remain relevant to your workforce and business as a whole.

By reviewing some of the questions mentioned in the document, it should help you to build a picture of what you can do to ensure your benefits package remains best in class. Supplementing this with the expertise and knowledge of a third party specialist can help you look even deeper into the finer details of policies, identify where changes need to be made, and how to get the best support.

At Johnson Fleming we regularly audit the benefits of our clients to ensure they have the most cost effective cover in place with the most advantageous terms for them. To see how we could offer our expertise in this area to your business contact us today and we can carry out a high level audit of your current employee benefit arrangements, providing you with a summary report of our findings and comments on what improvements can be made.

## 7. More information

To find out more about any of the benefits mentioned in this guide we have a series of free factsheets on our website available for download....



### Group income protection

A look at the importance of group income protection and how it can be used to support your employees at difficult times.



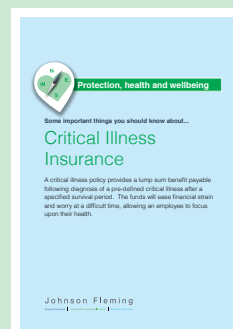
### Private medical insurance

Find out more about Private Medical Insurance and the factors that can influence the cost of this benefit.



### Group life assurance

An overview of Group Life Assurance and three things to think about when reviewing your scheme.



### Critical illness

An over view of Critical Illness Insurance and the benefits it provides you and your employers.



## 8. Contact information

To find out more about any of the issues raised in this guide please feel free to get in touch...



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