

Protection, Healthcare & Workplace Savings

Benefits Design Trends

*Welcome to inside knowledge of the trends in the design of UK
Protection, Healthcare and Workplace Savings Schemes*

Valid Period: October 2023 – December 2023

Businesses of Marsh McLennan





Helping you to design benefits that fit your UK organisation

The information within this guide is intended to give insight to trends in the design of UK Group Life Assurance, Group Income Protection, Private Medical Expenses and Workplace Savings schemes

This guide is based on **over 45,000 data points**, correct as at October 2023. **Core design aspects** are included from employers of all sizes, industry types and UK locations.

The following UK benefits are included:



Group Life Assurance



Group Income Protection



Private Medical Expenses



Workplace Savings

Available upon request is insight to additional design aspects, and benchmarking that can be tailored by number of lives, industry and UK location.

Your usual Mercer Marsh Benefits consultant can assist with your specific needs.

Protection

Group Life Assurance



The charts show data from a sample of
7,500+
Group Life Assurance Schemes

Group Life Assurance is intended to provide a lump sum payment in the event of death.

Typically all causes of death are covered under UK Group Life Assurance schemes, including suicide.

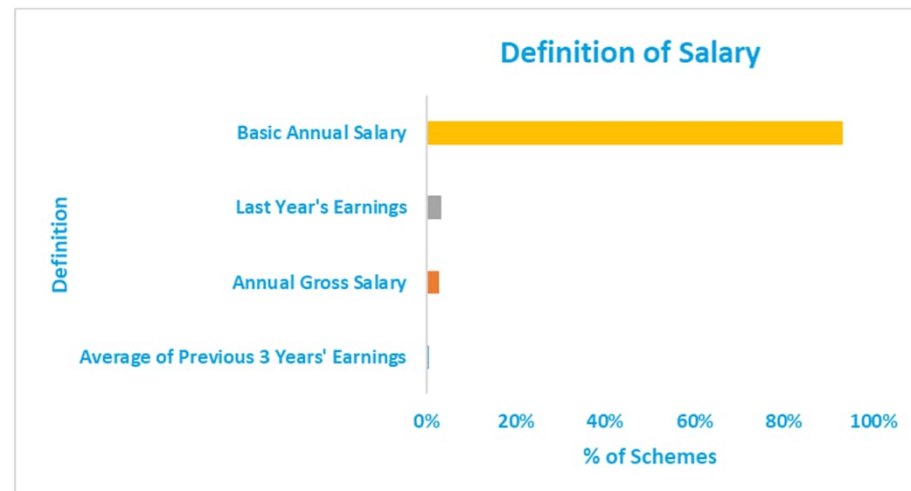
Generally we see similar terms and conditions being applied from provider to provider.

Providers include free of charge services in their propositions, such as EAP's. It is important to remain up to date with the services available, consider how employees access these and any overlaps with services available elsewhere.

Group Life Assurance benefits must be provided via a trust arrangement. As employers look to de-risk we are seeing the use of Master Trust facilities increasing.

Announcements in the Spring Budget 2023 have created uncertainty in respect of the amount of tax applicable to benefits above the Lifetime Allowance paid from Registered schemes. Complexity relating to the tax applicable to benefits paid from Excepted schemes remains.

Definition of Salary



Employers often use the same salary definition for all benefits. For Group Life Assurance the definition can include or exclude bonus or other fluctuating payments and will need to be agreed with the provider.

Basic Annual Salary is by far the most popular definition of salary.

Basic annual salary is simple, clear and easily understood. Some definitions can require additional clarification, such as if a full year in service has not been completed.

Protection

Group Life Assurance (continued....)



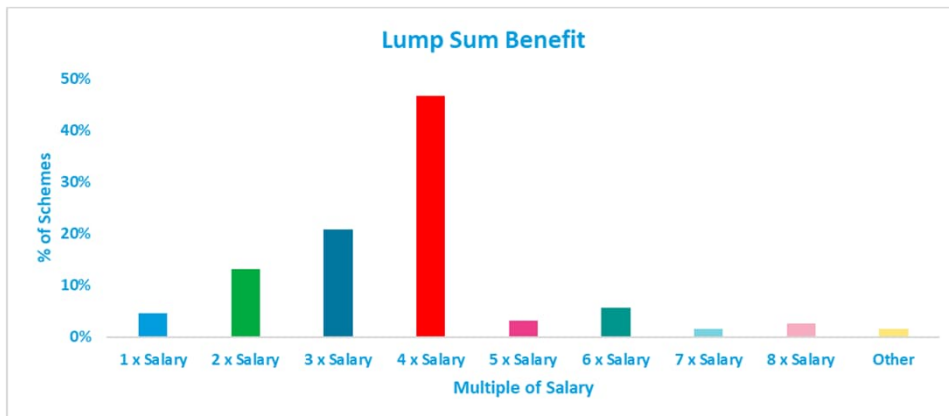
Lump Sum Benefit

In the event of a valid claim, a lump sum is paid by the provider to the Trustees, who are responsible for distributing the benefit to beneficiaries.

4x salary is the most prevalent lump sum benefit, this has been the case for 20+ years.

Lower multiples of salary are collectively more popular than multiples in excess of 4x salary. It is possible to provide a fixed benefit amount, for example a fixed £100,000 upon death, as an alternative to a multiple of salary, but few organisations choose to do so.

Benefit levels can be varied by employee category; sometimes we see the amount of benefit provided based on job role or job grade.

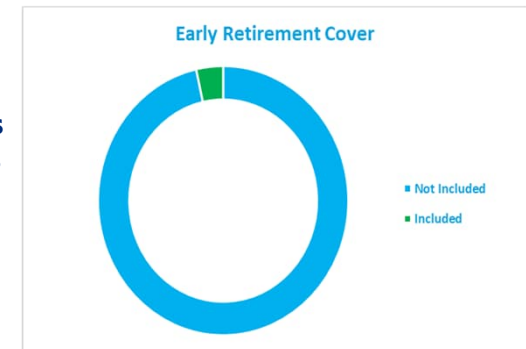


Early Retirement Cover

It is possible to insure benefit for employees who retire early.

The majority of Group Life Assurance schemes do not include continued cover for employees who retire early.

Some legacy final salary pension arrangements do include provisions for life assurance benefit for those who retire early; sometimes such benefits are self insured from the pension scheme fund.



Maximum Insured Age

Cover for Group Life Assurance benefits ceases at the maximum insured age.

Many Group Life Assurance schemes have a cease age of 75 and occasionally we see a cease age of 80.

Whilst this is the case, provisions within the Equality Act 2010 allow for the lawful removal of insured benefits at State Pension Age. The potential implications of ceasing to provide insured benefits outside of the provisions within the Equality Act 2010 need careful consideration and may require legal advice.

Protection

Group Income Protection



The charts show data from a sample of
4,000+
Group Income Protection Schemes

Group Income Protection, sometimes referred to as Permanent Health Insurance (PHI) or Long Term Disability (LTD), is intended to provide employees with a proportion of their salary in the event that they are unable to work for a prolonged period due to illness or injury.

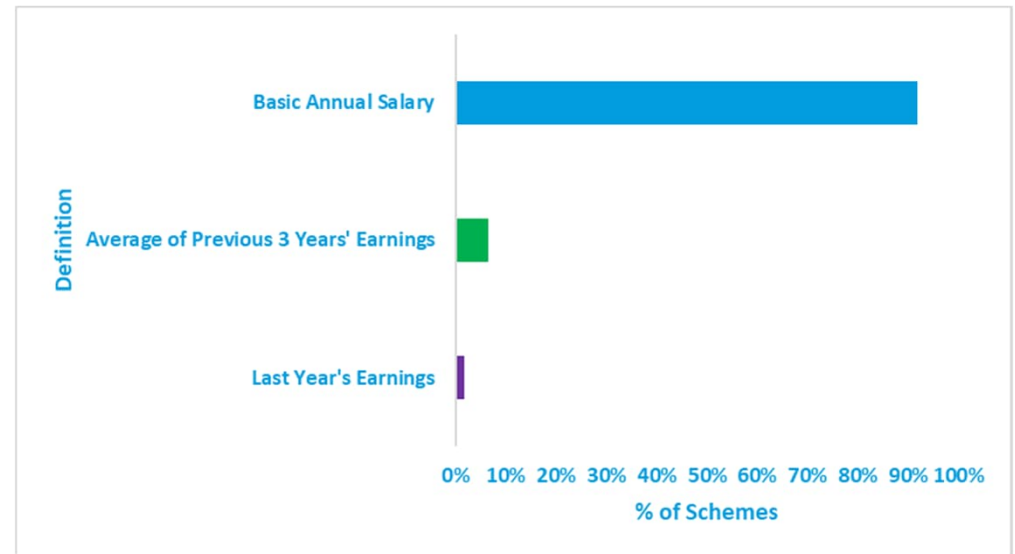
In the event of illness or injury generally speaking providers are willing to invest in early intervention and rehabilitation where this has the potential to expedite an employee returning to work.

Some provider propositions include specialist services for common conditions including cancer and mental health. They can also include digital GP services, EAPs and wellbeing programmes.

Where Group Income Protection is provided, it is important to consider overlapping services including those provided by occupational health, and an employees journey through the services.

For larger arrangements claims and absence data should be a key part to informing benefit design and broader overall benefits strategy and approach.

Definition of Salary



Employers often use the same salary definition for all benefits. For Group Income Protection the definition can include or exclude bonus or other fluctuating payments and will need to be agreed with the provider.

Basic annual salary is by far the most popular definition of salary

In the event of a claim, typically benefit is based on salary as at the date first absent. Basic annual salary is simple, clear and easily understood. Some definitions can require additional clarification, such as if a full year in service has not been completed.

Protection

Group Income Protection (Continued...)



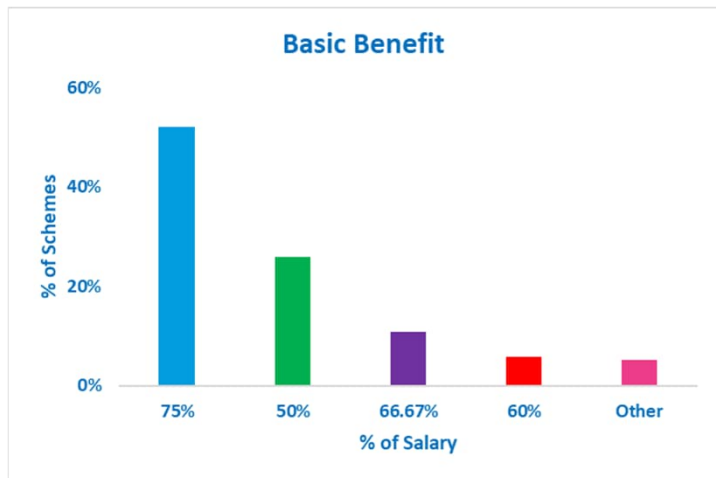
Basic Benefit

Basic benefit is the level of income paid if an employee fulfills the insurance terms and conditions.

75% of salary is the most popular level of basic benefit.

Other options of 66.67% of salary and 50% of salary have become more popular as organisations look to manage cost.

In the past, basic benefit was often set at a level that assumed employees would receive state incapacity benefit. Welfare reform has resulted in state incapacity benefit often not being paid and therefore the relevance of a design that assumes payment of state incapacity benefit has diminished.



Maximum Insured Age

Cover for group income protection benefit ceases at the maximum insured age.

Provisions within the Equality Act 2010 allow employers to lawfully cease offering insured benefits to employees at the point they reach State Pension Age. Whilst this is the case, provisions within the Equality Act 2010 allow for the lawful removal of insured benefits at State Pension Age. The potential implications of ceasing to provide insured benefits outside of the provisions within the Equality Act 2010 need careful consideration and may require legal advice.

Importantly, the maximum insured age is not to be confused with the benefit payment term, which is separate. Insight in respect of benefit payment term is available upon request.

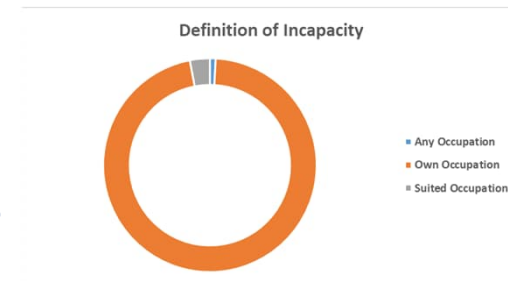
Increasingly, we are seeing group income protection claims with a legacy cease age not aligned with State Pension Age. The cease age for a claim in payment cannot be amended and we see differing views in respect of employers having liability to pay claims from when the legacy cease age is attained (e.g. age 60) and State Pension Age.

Definition of Incapacity

The definition of incapacity is set at the outset of a policy; in order for a claim to be paid the definition must be fulfilled via clinical evidence.

Own occupation is by far the most common definition.

Straightforwardly, an own occupation definition would be fulfilled if an employee was unable to perform the material and substantial duties of their own occupation. Broadening the definition, to include material and substantial duties of **suited occupations**, reduces the chances of a claim being paid. Further broadening the definition to being unable to perform the material and substantial duties of **any occupation** further reduces the chances of a claim being paid.



Healthcare

Private Medical Expenses



The charts show data from a sample of
8,500+
Private Medical Schemes

Also known as Private Healthcare, this benefit provides employees with funding for access to medical treatment through private hospitals, consultants and physicians. The benefit is designed to complement the NHS, enabling members access to swifter treatment. It is sometimes possible to cover dependants.

Most providers have expanded their core propositions to include services such as virtual GP's, EAP's and Wellbeing Support. This expansion increases the need for employers to understand all of the services available, and optimal utilisation of these.

Diversity, Equality & Inclusion and Family Friendly benefit features are in high demand; these include benefits relating to neurodiversity, gender dysphoria, fertility treatment and menopause.

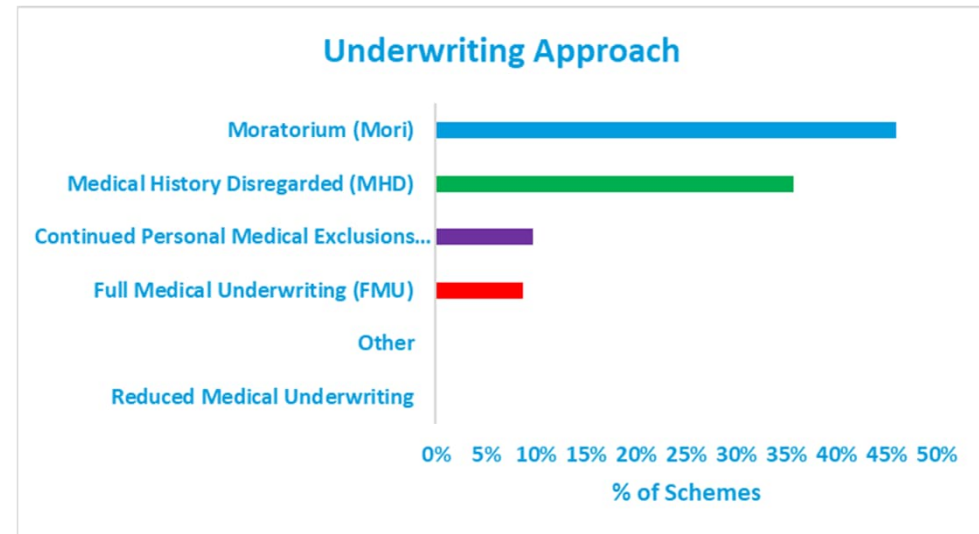
Potentially, demand for company healthcare products will increase as NHS delays worsen; the most recent Laing Buisson report shows waits on the NHS returning to levels last seen in the 1990's.

Underwriting Approach

Underwriting is used to determine whether pre-existing conditions are covered or not.

Moratorium - pre-existing conditions reviewed at point of claim - is most common.

Medical History Disregarded is a more favourable approach for scheme members when compared with Moratorium. In the past this approach was typically only available for relatively large schemes however solutions such as MMB's Elect proposition give small schemes access to this favourable approach, therefore this is fast becoming a common approach.



Healthcare

Private Medical Expenses (Continued...)

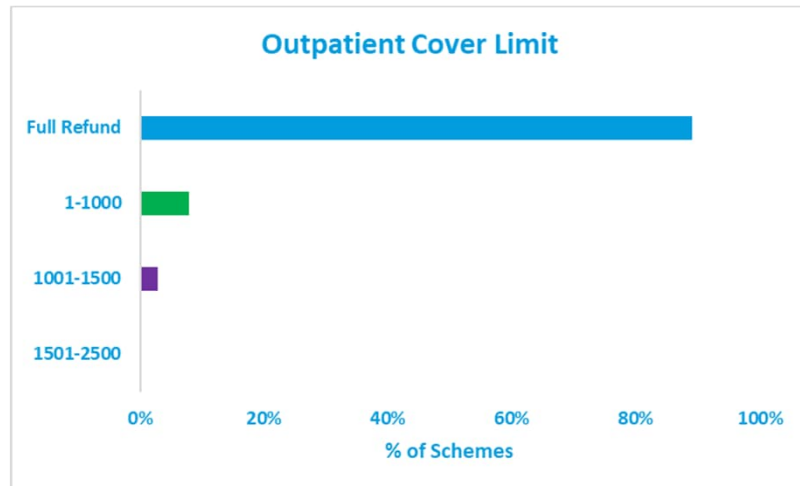


Outpatient Cover Limit

An Outpatient Cover Limit restricts the amount of benefit payable for outpatient treatment.

The large majority of employers choose not to limit outpatient cover.

Outpatient treatment includes expenses such as specialist consultants fees, facility charges, scans and medical imaging and diagnostic tests. Outpatient treatment tends to be lower cost than typically more expensive in-patient and day-case treatments.



Excess/Co-Payment

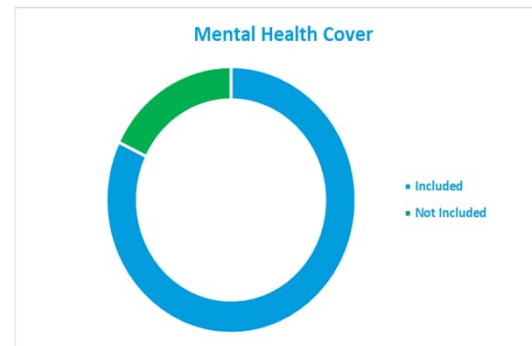
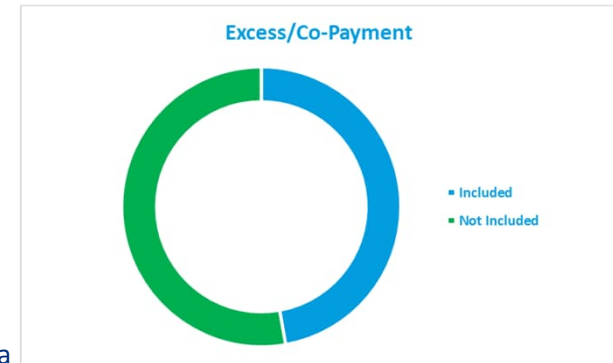
Schemes with an excess / co-payment require members to contribute to the cost of their treatment.

By a small margin the majority of schemes do not include a form of excess / co-payment.

One form of excess / co-payment is based on a set amount being payable by a member; typically ranging from £50 to £500. Another form is based on a percentage of the value of a claim being payable up to a specified limit.

An excess / co-payment is either applied on a 'per person per scheme year' basis, a 'rolling 12 month' basis or on a 'per condition' basis.

Where an excess / co-payment is included, we see this successfully encouraging only required treatment to take place and discouraging more trivial usage.



Mental Health Cover

Mental Health Cover is intended to support the assessment and (or) treatment of a range of conditions from anxiety and depression to psychosis and personality disorders.

Most organisations provide some form of mental health cover.

There are various monetary limits for inpatient cover to choose from. Cover for chronic mental health conditions can be included.

Workplace Savings

Defined Contribution (DC) Pension



The charts show data from a sample of
2,000+
Defined Contribution Pension Schemes

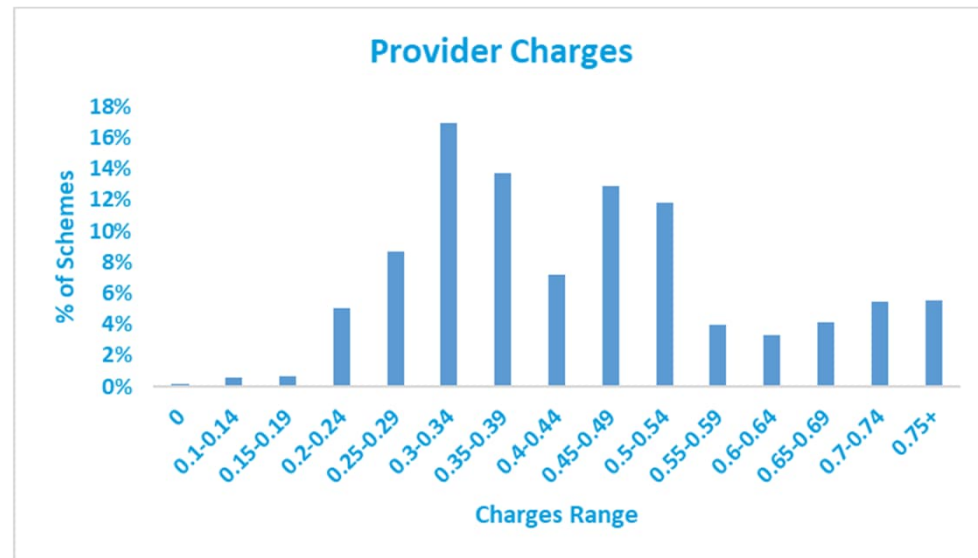
Defined Contribution Pension arrangements, sometimes referred to as Money Purchase, are one of the most important features of UK employee benefit provision. UK employers have a legal requirement to provide access to a retirement savings programme.

The last decade has seen a material shift in pension provision in the UK, following the introduction of auto-enrolment and the greater flexibility offered through Pension Freedoms legislation introduced in April 2015.

The pandemic and, more recently, cost of living pressures, have seen employers increasingly considering pensions as part of their wider, more holistic, financial employee wellbeing strategy.

With the number of members and assets continuing to increase, employer pension governance is extremely important to help ensure good member outcomes and reduce reputational risk.

Provider Charges



Provider charges are based on a number of factors including contribution levels and assets under management.

Provider charges in the range of 0.30% – 0.39%, and 0.45% - 0.54% are most common in this sample of schemes.

We see regular review of provider charges as an important aspect of good governance.

Workplace Savings

Defined Contribution (DC) Pension (Continued...)

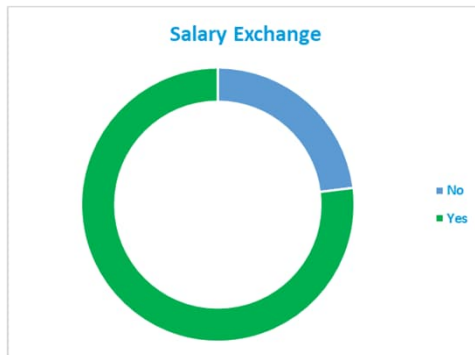
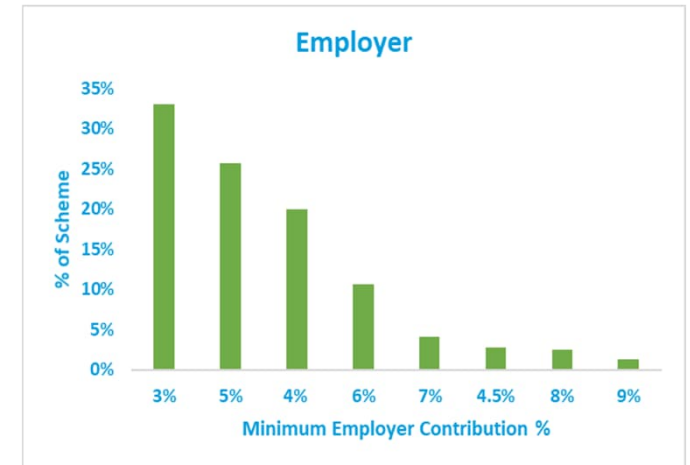
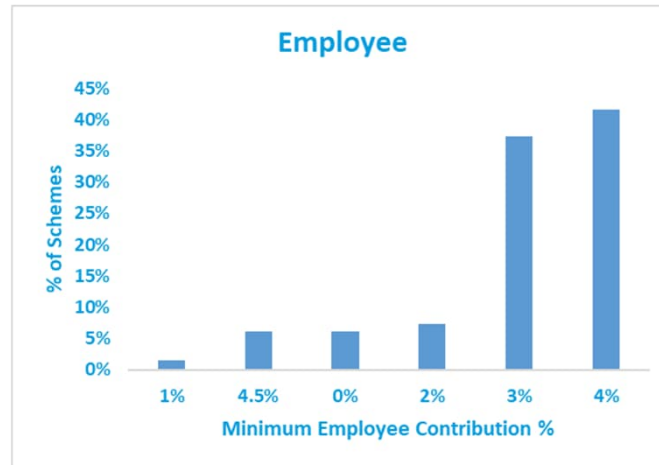


Minimum Auto Enrolment Contributions

One of the most important factors that can help achieve good member outcomes with Defined Contribution pension schemes is the level of contributions that are invested.

Minimum contribution rates of 3% & 4% for employees and 3% for employers are the most common.

Generous employer contributions can assist with the recruitment and retention of talent.



Salary Exchange

Salary Exchange remains a popular approach to Defined Contribution schemes

Salary Exchange can create National Insurance savings for both employers and employees. This can be attractive for employees because any National Insurance saving is in addition to the usual Income Tax relief they would receive.

Salary Exchange may not be suitable for all pension scheme members and, with guidance, employers should consider whether it is the right solution for their membership before implementation. Employers operating Salary Exchange should regularly promote this in order to maximise take up and the associated savings.

Want to know more? Speak to our experts

By leveraging our global expertise and market presence, we have deep and broad data pools to drive intelligent, informed benefits decisions.

Mercer Marsh Benefits have a variety of both packaged and bespoke solutions to give you the inside knowledge to optimise benefits and rewards effectiveness and maximise return on investment.

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Cost of Living	Access our free Financial Wellbeing Hub
War for Talent	The essential elements of a comprehensive approach to people risks
Diversity, Equity & Inclusion	Overcoming racial inequalities in the UK workplace
Environmental and Social Governance (ESG)	Sustainability is driving business change
Mental Health Awareness	Helping to smash the stigma against Mental Health
Health on Demand	Explore changing UK workforce needs in response to current issues

Here are some of the ways that Mercer Marsh Benefits can provide you with even more valuable, data-driven insights:

Deeper Design Trends Insight

Our specialist team can provide deeper insight to the design trends of the Protection, Health and Workplace Savings schemes covered in this guide.

Bespoke Benchmarking

Our specialist team can provide insight to the design trends of the Protection, Health and Workplace Savings schemes covered in this guide, and evaluate these according to UK location, sector and (or) industry type.

Broad Benefits Benchmarking

Evaluate your local and global benefit plans against your peers and competitors with our Benefits Policy and Practice Report and Benefits Value Analysis.

Talent All Access Portal

TAAP provides you with fast and easy access to the data you need to help steer your organization towards success.

Total Remuneration Survey (TRS)

Offers a simple, instant and fully customised solution to comparing compensation and benefits across different geographies.



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