

Group Income Protection

A Guide for Employers



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What is Income Protection?

Income protection is an insurance policy that provides a replacement salary for an employee if they are unable to work due to an illness or injury. The policy will pay out once an employee has been off sick for a certain amount of time. Typically this is six months but can be longer or shorter. The benefits are usually paid to the employer who would then use this to replace the employee's salary. The policy usually pays out a percentage of an employee's salary. The maximum that can be paid out is 80% of salary although some insurers may impose lower limits.

Why have Income Protection?

An income protection policy is an employee benefit but it also has clear advantages for an employer.

- ✓ As an employee benefit, Income Protection can help you attract and retain the right staff. 62% of employees believe their employers should provide financial assistance if they fall ill.
- ✓ It helps cover the cost of sickness absence making sure you can keep valued employees on if they fall ill.
- ✓ Most insurers provide comprehensive absence management and early intervention services which help to get employees back to work, reducing your absence costs.
- ✓ Many insurers will offer free add-ons such as Employee Assistance Programmes or access to health services.
- ✓ Schemes can help you understand your legal commitments towards your employees.

What type of conditions does the policy cover?

There are no general exclusions under this type of policy. On occasion, an insurer may place an exclusion on a particular individual based on their medical history. This would usually happen if a member was subject to medical underwriting. Medical underwriting is usually required if an employee's salary exceeds a certain level. This level will depend upon the scheme and the insurer.

The main criteria on whether or not the benefit is paid is whether or not the condition the member has prevents them from working.

Who can be covered?

All employees can be covered under this type of arrangement although most insurers impose a maximum age of 70. Before setting up this type of policy, you will need to define the category of employee you want to be covered. This can be with reference to a particular type of employee (for example, all monthly paid employees or all management grades) but cannot include anything that may be viewed as discriminatory. It is, however, allowable to cease cover under this type of arrangement at State Pension Age.

How much does it cost?

Income Protection is a very flexible product which can be altered to suit your needs and your budget. Costs start as low as 0.19% of salary roll.

How do I set up a scheme for my employees?

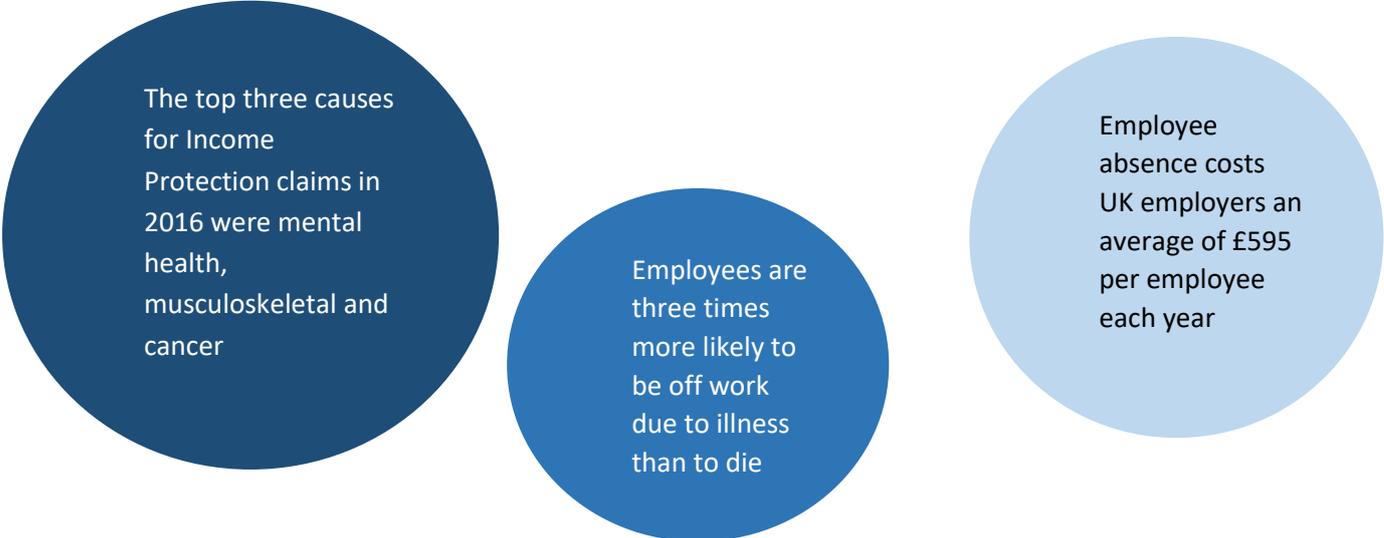
Setting up a new income protection arrangement is relatively straightforward. There are usually only one or two simple forms required.

What else can be covered?

In addition to covering a percentage of an employee's salary, these policies can also cover additional costs of employment such as employer's National Insurance and pension scheme contributions.

What is the tax treatment for this type of arrangement?

The premiums for this type of arrangement are usually met by the employer in full. The cost of this is usually allowable as a business expense and employees are not taxed on this as a benefit in kind. However, if any benefit is paid this is usually paid to the employer who should then pass this onto the employee via the PAYE system. As such the employee will be subject to Income Tax and National Insurance on any payment made.



The top three causes for Income Protection claims in 2016 were mental health, musculoskeletal and cancer

Employees are three times more likely to be off work due to illness than to die

Employee absence costs UK employers an average of £595 per employee each year



How can we help?

Some of the standard services we provide are:

- ✓ Advice on benefit design to provide a scheme that meets the needs of your business, your employees and your budget.
- ✓ Negotiation with providers to obtain the best possible costs and terms for your scheme.
- ✓ Bespoke, user-friendly communications that explain the benefit to your employees. Not only can this help ensure the benefit is understood and valued but also that your businesses liabilities are clearly spelt out.
- ✓ Claims management and claims analysis.
- ✓ Advice on legislation and changes in the market place to help ensure your scheme keeps up to date.

Getting a quote for Income Protection is simple. All we need is details of your employees to include date of birth, gender, salary, job title and work location. Talk to us to find out more.

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