

# SCOTT VALLERINE

INSURANCE SERVICES

## GROUP PROTECTION POLICIES / EMPLOYEE BENEFITS

### Why are employee benefits important ?



The benefits included in a company's compensation package can be a significant factors, when a candidate is searching for a job or indeed deciding whether to stay in one. Benefits can help employees pay for healthcare, save for retirement, and take time off work when needed, whether via paid sick leave or paid holiday. Understanding the importance of benefits packages can help managers provide more comprehensive packages to find and keep talented employees and help employees and candidates determine their priorities in a role.

Employee benefits increase the value of working for a certain company and can improve your employee's/team members' health and quality of life. When applying for jobs, candidates may look at the benefits each organisation offers and take those into consideration along with salary when deciding where they want to work.

### Advantages of employee benefits include:



#### Job satisfaction

A good benefits package shows that a company cares about its employees. Benefits such as paid sick leave, paid holiday leave, workplace perks, private medical and tuition reimbursement can make employees feel valued. This can lead to employees who are happy to be in their job, loyal to the company and motivated to do good work.

Employee benefits are also important for workplace morale because a happy and positive team is likely to be productive and work better together.

Also, job satisfaction from providing good benefits helps to reduces turnover rates. This leads to stronger and more stable dynamics within a department and saving on recruitment costs.



#### Work-life balance

Work-life balance, or the harmony between your career and your personal life, has become increasingly important to employees. Benefits that improve work-life balance include paid holiday leave, flexible hours and the ability to work from home. These types of benefits can help reduce employee stress and fatigue and prevent burnout. Employees are likely to be more productive at work and at home as a result.

Benefits such as flexible hours and paid holiday leave also allow employees to spend more time with their families and friends, allowing them to have more fulfilling personal lives. They are also particularly important for parents who must balance their career with childcare or other family commitments.



## Health coverage

Benefits typically include some form of healthcare coverage, which is important for keeping employees, and often their families, healthy and helping them pay for medical expenses.

Health benefits help employees and their families afford regular medical exams, preventive care, potentially prescription medications and medical treatments. If a candidate or their dependents requires regular healthcare, they might prioritise jobs that offer comprehensive health insurance plans. Further, if employees are encouraged to stay healthy and given the tools to do so, they are likely to feel more energetic, have fewer sick days and be more effective at work.

This can also protect your Employers 'Liability insurance cover which is often a first resort to an employee who has been off for a period of time with no paid sick leave provided by the company and a mortgage/rent and bills to pay.



## Increased productivity

Benefits can improve focus and productivity. A good benefits package that offers perks such as paid sick pay, health insurance and disability insurance can prevent employees from worrying about things like finances, medical expenses and child care. If employees are more confident about personal matters before, during or after work, they can better focus on their tasks and career advancement.



## Saving for retirement – I do not offer advice in this area.

A UK company must offer all employees a workbased pension scheme by UK Law.

Retirement benefits can help provide employees a well-organised and reliable way to save money and plan their financial futures for themselves and their families. When employees do retire, they will have a predetermined budget to live on depending on how much money they saved through their employer's retirement plan or other retirement options they pursued.

## WHAT GROUP PROTECTION BENEFITS ARE AVAILABLE TO AN EMPLOYER ?



### Group life / death in service

This is a company paid benefit for all your PAYE employee's (subject to qualification, probationary periods etc). It provides a tax-free lump sum which is made up of a multiple of the employees annual salary to be paid to their beneficiary nominated in their completed expression of wish form, often completed or updated annually with your Human Resources department or line manager in the event of death whilst in your employment.

Group Life policies are written under discretionary trust which means that any benefit paid to the beneficiaries is not subject to inheritance tax.

Example:

John dies whilst in the employ of ABC Insurance Brokers Limited, he earns £52,000 pa and benefited from four times salary death in service via the group life policy with his employer. The amount of £208,000 will now be paid to his beneficiary, noted in the expression of wish form John completed annually with his employer.



### Tiered benefits

If you have staff at differing levels, Staff, Management, Senior Management, you can choose different tiered amounts to apply to each group, such as all staff could receive four times salary, Management are in another tier and benefit from six times salary, Senior Management are in another tier from all staff and Management and receive ten times salary.

### Multiple of salary or fixed benefit amounts

Multiple of salary is the usual way of covering various tiers of staff, however some CEO's or important staff are often on a fixed benefit amount, so where some tiers will be on a multiple of salary, the owner of a business may choose a fixed benefit of one lump sum.

Example:

ABC insurance Brokers Limited have 65 staff.

Tier 1 – All staff excluding management 52 staff are on 4 x salary as a multiple of salary

Tier 2 – Management and supervisors 12 staff are on 8 x salary as a multiple of salary

Tier 3 – Owner and CEO on a fixed benefit amount of £1,500,000

## GROUP INCOME PROTECTION

This is a company paid benefit for all PAYE employee's (subject to qualification, probationary periods etc). It is designed to provide your employees with a regular income in the event they are unable to work due to sickness or injury, this cover often includes rehabilitation and back to work support.



### Deferred period

The longer you defer an employee being able to claim on your group income protection policy the cheaper the policy should be.

The idea of Income Protection is for it to compliment the sick pay policy, so choosing a deferred period that ties in with the end of their sick pay policy is the sensible option. Limiting the payment period to 2, or 3 or 5 years rather than opting to pay benefits to retirement age is also an effective way of controlling the cost.

In the event of an absence the employer submits the claim on the behalf of the employee, and the benefit is paid to the employer who in turn pays the benefit to the employee through payroll as normal, so is subject to the normal income tax and national insurance.

Example: If you had a six month deferred period so that staff only had access to statutory sick pay (SSP), this would be cheaper than if you deferred for one month, as most employee's would be back to work within six months unless seriously ill or injured.



### Benefit amount / Percentage of salary protected

A policy can protect from 60% to 75% of salary tax-free. The benefit amount is paid out at a reduced amount to incentivize the employee to get back into work.



### Benefit period

The benefit period is the length of time the policy will respond to a claim.

Example:

John is off sick with an illness and cannot work. John has access to a company paid group income protection scheme paying 70% of salary for a maximum period of twenty-four months, which starts after one month of sickness. John is paid up to one month sick leave via the company in any rolling twelve month period.

After one month's sick pay with his employer, John can put in a claim to receive income via the group income protection insurance policy at 70% of his salary for a maximum of twenty-four months.

Costs of group income protection insurance vary depending on deferred periods, percentages of salary chosen and length of benefit period.

## GROUP CRITICAL ILLNESS

This is a company paid benefit for all your PAYE employee's (subject to qualification, probationary periods etc). It provides a tax-free lump sum to an employee should they, their spouse or child (subject to width of cover offered by the policy and purchased by the employer) suffer any of a list of defined medical conditions or surgical procedures and survive. The tax-free lump sum can be used however the employee wants to, Due to the fact that Group Life is written under trust, and Income Protection benefit is subject to normal tax and national insurance when paid through payroll, neither of these benefits are considered a benefit in kind.



### Tax

Critical Illness (along with private medical insurance) however is the only Group benefit considered a benefit in kind and employees would therefore be subject to P11D tax on the premiums paid for their inclusion in the policy.

#### Example:

John is diagnosed with cancer stage 2, a covered defined medical condition under the group critical illness insurance policy. Thankfully it is caught early and John has surgery to have the cancer removed and survives, John makes a claim on the group critical illness insurance policy provided by the employer. John receives the sum assured under the policy.



### Benefit amount

This is the lump sum chosen by the employer that each employee would receive.



### Tiered benefits

If you have staff at differing levels, Staff, Management, Senior Management, you can choose different tiered amounts to apply to each group, such as all staff could receive £100,000, Management are in another tier and benefit from £250,000, Senior Management are in another tier from all staff and Management and receive £500,000 for example.

## GROUP PRIVATE MEDICAL (PMI)

This is a company paid benefit for all PAYE employee's (subject to qualification, probationary periods etc).

Group private medical insurance provides a high-value benefit and peace of mind to attract and retain experienced employees. PMI is normally an allowable business expense for corporation tax purposes under current tax laws. Employee's will pay tax on the benefit cost as this is a taxable perk.

Group private medical can help reduce the cost of sickness to a business, get staff swiftly diagnosed/operated on, out to recover and back to work far quicker than relying on the NHS.

### Benefits of private medical insurance

1. Faster access to diagnosis and medical care
2. Cover the whole family or staff in a business
3. Mental health cover
4. Access to private hospitals
5. Specialist drugs and treatments
6. Access to online appointments
7. Private GP services, digital GP services and sometimes private prescriptions
8. Tax benefits
9. Dental, Optical and Audiological (not all are offered by all providers)
10. Peace of mind
11. Convenience – you can choose when and where to have your treatment
12. Private hospitals often have the latest equipment and medical technology
13. Cancer cover including drugs (see below)
14. Attracting staff (as a perk for businesses)
15. Retaining valued staff (as a perk for businesses)



### Medical history disregarded (MHD)

Providers do not apply any personal medical exclusions to members as a result of pre-existing conditions. The terms and conditions of some provider policies (including excesses payable, benefit limits and exclusions) may be different to those of your previous policy. (Only available on company paid schemes and size of group specific).



## WHAT IS USUALLY COVERED UNDER PRIVATE MEDICAL (SOME THINGS MAY DIFFER BETWEEN PROVIDERS)

- ✓ **Complete cancer cover :**  
Cover for all stages of cancer, including access to the latest drugs and treatments, often not covered by the NHS.
- ✓ **Out-patient :**  
Covers members for out-patient consultations, appointments and diagnostic tests.
- ✓ **Other treatments & therapies :**  
cover for chiropractic treatment, osteopathy, chiropody, podiatry, MRI, CT X-ray etc

## HOSPITAL LISTS : EXPERT/CONSULTANT SELECT, STANDARD/KEY, EXTENDED WHAT ARE THE DIFFERENCES ?

- **Expert/Consultant Select**, this option operates where you have a medical expert or consultant select a hospital and consultant for you.
- **Standard/Key**, this often gives you access to all private hospitals apart from a select few around the country, mainly in Greater London area
- **Extended**, this increases the number of hospitals you have access to, predominantly in the Greater London area.
- **Dental, Optical and Audiological :** Some providers offer a small limit to be used towards/contribution (often subject to a small excess appropriate only to these covers).
- \*Dental appointments, hygienists, check-ups.
- \*Optical towards eye tests, contact lenses, glasses purchases.
- \*Audiological towards hearing tests etc.



### Mental Health :

can be purchased as an additional cover to your main PMI policy for a premium, different providers cover different things



### Worldwide travel cover :

Some providers offer travel as an additional bolt-on for a premium.

Example :

John's employer is looking to bring in private medical insurance for all employee's, John currently suffers with ulcerative colitis, this would normally be excluded as a pre-existing condition, however with medical history disregarded, John is likely to be accepted on the scheme with no exclusions for his medical history. John's scheme has a £100 excess applying. John's employer will pay the policy premium for John. John will pay tax on the benefit cost. Should John make a claim to see a consultant or for any treatment, John would have to pay the first £100 per policy year towards consultations or treatments.

### Excess / insured contribution

An excess can be applied to the policy, this often reduces the cost of the premium and ensures that employees do not use the group policy for incidentals. The excess is usually per person, per policy year (PPPPY) and would be paid at the outset once an appointment/treatment has been concluded, the invoice or part-invoice if the overall bill was larger than the excess alone would be sent to the employee to settle.

### Tax

Private medical insurance (along with Critical Illness) Group benefit is considered a benefit in kind and employees would therefore be subject to P11D tax on the premiums paid for their inclusion in the policy. For Tax planning and Trusts we act as introducers only.

GET IN TOUCH

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