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# INCOME PROTECTION: AN EMPLOYER'S PERSPECTIVE

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IIPM

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# Background

- Large employer
- Strong sick pay scheme
- Pension scheme developments:
  - Defined Benefit Pension Scheme for all to 1996
  - Defined Contribution Scheme for new entrants from 1996
  - Hybrid Arrangement introduced 2007
  - Defined Benefit scheme closed 2013 – all now on DC scheme

# Income Protection

- Our journey :
  - from pension benefit to integrated feature of sickness absence management policy
- Income Protection:
  - adding value
  - the challenges

# The Journey (1)

- Defined Contribution Pension Scheme 1996
  - IP adjunct to Pension Scheme
  - Very low claims experience
  - Low cost
- But:
  - Relatively high long term sick leave costs
  - Number of exceptions (extended sick pay)
  - DB scheme remained open with Ill Health Retirement option available

# The Journey (2)

- IP eligibility extended due to introduction of Hybrid Pension scheme in 2007
  - All staff now covered incl ‘pure’ DB
- Repositioning and Proactive management:
  - Income Protection now a feature of Sickness Absence management programme
  - mandatory to submit claim by week 16 of absence
- Significant increase in claims and cost
- Large number of relatively short term claims

# The Journey (3)

- Change in cover provided (2010):
  - Limit IP to half pay
  - Self-insured first 12 months and after 5 years
  - Complexity:
    - Case ownership
    - Payment responsibility
- Full review end 2013
  - Full term cover reintroduced
  - Earlier claims submission required

# What is the value add?

- Significant protection for employee
  - An undervalued benefit
- Removal of IHR cost from Pension fund
  - costs can now be better budgetted
- Move from claims assessment / management to advisory and partnership / support role
  - Early intervention/rehabilitation
  - Return to work support/coaching : EE and Mgr
- Second line 'objective' reviews
  - Especially important for mental health and musculoskeletal cases

# The Challenges (1)

- Administrative burden
  - Trigger points for claims submission
  - Interaction between Sickness Absence policy and Income Protection policy terms
  - Triangular nature of IP relationship
- Complex interaction with Human Resources and Occupational Health
  - Multiple touchpoints
  - Differences of opinion
  - Consents issue



# The Challenges (2)

- IP policy requires hands on management by employer
  - Timely action and sharing of information
- Open communication lines with all stakeholders critical
- Need for good Management information and analysis
- Trust – with and between all stakeholders

# QUESTIONS?

# Thank you !