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Canada Life™

OUR GUIDE TO VOCATIONAL REHABILITATION

Controlling Group Income Protection Premiums
in the Era of Austerity

By Edmund Tirbutt

A PASSION FOR PROTECTION

Paul Avis, sales & marketing director, Canada Life Group Insurance



Why doesn't this group income protection (GIP) thing fly off the shelves? In my mind this is the single most important benefit that exists. Is it fear of something new to talk about? Is the product too complex? Is it not valued by employees or perhaps badly celebrated? Are advisers badly remunerated? Is the relationship to state benefits and lack of knowledge about these the barrier?

Let us put this in context. Members of GIP schemes remain on the salary roll, meaning that they remain eligible for death in service and private medical or cash plan benefits when they are needed most. It pays out after 26 weeks unlike a pension which could be 26 years away. It is a benefit while in service unlike a pension which disappears when the employee leaves – an immediate benefit vs transferable. It costs 0.3-0.5% of salary costs for an entry level, limited benefit payment plan and so it can cost very little compared to most other benefits. In an era of austerity surely even the very poorest of benefits packages can afford this?

And what can it do? Well in simple terms protect everything that you do and need – your house, your pension, your car and its insurance. The state certainly does not and there is no other alternative. For employers who already have the benefit the key is to get the insurer involved early – really early – as that both enhances the likelihood of a work return while protecting future premiums; leaving notification to the deferred period means the damage is often done.

And then let the insurer do what they do best: return to work management of the highest quality – 100% case focus to achieve the optimum outcome for both employer and employee while keeping an eye on supporting legislative compliance. The insurance is almost there for when the work reintegration cannot be achieved and incidences of this get rarer and rarer as employers and insurers work more closely than ever before. Perhaps the era of austerity, where both provider and organisation have a vested interest in keeping premiums sustainable has a silver lining?

And how does it feel as a product? Simply brilliant when you as an employer help get someone back to work after a life changing event. For employees they simply need to be in work. So read on – I hope that this contribution of ours to the future of GIP gives you some passion for what we do as advisers and insurers: we change lives and futures and if that does not motivate you to get up on cold wintry mornings then I do not think that anything will!



WHY IS ABSENCE MANAGEMENT SO IMPORTANT?

Any company that attempts to reduce costs during the current economic downturn by cutting back on absence management does so at its peril. Indeed, employee sickness absence can have such an impact on the bottom line that cutting corners could prove a terrible false economy.

According to the latest Confederation of British Industry/Pfizer Absence and Workplace Health Survey, UK employees took 180 million sick days during 2009 – averaging 6.4 days each – at a cost of £16.8bn. Furthermore, this is not even taking into account indirect costs such as reductions in customer service and delays in teamwork.

Back pain and mental health issues are key causes of long-term absence, and the wave of recent corporate downsizing has inevitably seen incidences of the latter

rise. According to the Chartered Institute of Personnel and Development (CIPD)'s 11th annual absence management survey, over a third of employers reported that stress-related absence increased during 2009.

The good news, however, is that you may not have to spend extra on standalone absence management services if you have a group income protection scheme. Some such schemes now automatically include a raft of services to help secure the timely and cost-effective rehabilitation of sick and disabled employees back into the workplace. As well as reducing the cost of absenteeism, this can also benefit the bottom line by reducing future insurance premiums – which are linked to a scheme's claims experience.

A group income protection scheme provides a core insurance mechanism which pays a



"There is a growing realisation that work can be good for you, and the majority of claimants actually want to return to their roles as soon as possible"

actually want to return to their roles as soon as possible. So early intervention can constitute a "triple win situation", lowering the insurer's claims bill, reducing the employer's absence costs and insurance premiums and enabling employees to make a speedy return to the workplace.

In assisting with the rehabilitation process, the best insurers are able to offer a formidable range of expert services, from providing access to experienced rehabilitation consultants and claims management consultants to giving advice on complying with legislative requirements such as adaptations to the workplace that may be required under the Equality Act. If necessary, they can tailor benefit payments to enable employees to be eased back into the workplace on a part-time basis, and some may even pay for claimants to have private operations or other treatments to bypass the NHS queue.

Katharine Moxham, spokesperson for Group Risk Development (GRiD), a trade body which represents the group income protection industry, says: "During the last decade or so group income protection has evolved into a service with an insured product sitting behind it, and the claims management capabilities it can offer fit in well with the Government's welfare reform programme, which is ultimately going to place more responsibility on employers to rehabilitate people back into the workplace. Any employer with group income protection is well set up to deal with the requirements that are likely to be imposed on them."

regular income to employees who are off work due to long-term sickness or disability. Benefit payments commence after an initial deferred period has elapsed and continue either until the employee is well enough to return to work or until their intended retirement date – although newer low-cost schemes which only pay benefits for two to five years are also becoming increasingly popular.

Deferred periods most commonly last either three or six months, so many employees return to work without receiving any payment from the insurer. But this does not mean that they haven't benefited from the scheme. The better insurers often get involved with claims during the deferred period and instigate recoveries before it ends.

There is a growing realisation that work can be good for you, and the majority of claimants



ARE ALL GROUP INCOME PROTECTION PROVIDERS THE SAME?

To say that group income protection providers are capable of differing in their attitudes towards claims management and in the services they offer is something of an understatement. There is a huge gulf between those players who operate largely on a reactive basis and those who place great emphasis on communicating regularly with employers and pride themselves on proactively intervening as early as possible when employees are absent.

Louise Flowers, head of claims management at national employee benefit consultants Lorica Consulting, says: "It's important to establish how supportive the insurer is going to be at the front end and what level of hands-on account management it provides. It's all very well it saying that it will help but that might not happen in reality. As someone with over 20 years' experience in the area, I can assure you that insurers can differ markedly in these respects.

"All the evidence shows that if you can successfully intervene within the first few months the chances of someone being able to return to work on a sustained basis improve hugely. If it's not done in the right way they will just go off again, so it's all about having expertise to make a sustained approach and about volunteering solutions as opposed to waiting to see what happens."

"It's about the level of commitment to support the client through the deferred period and, when appropriate, to ensure they continue to be appropriately and proactively managed when a claim actually occurs," continues Flowers. "Some insurers are also better at liaising and linking with specialist intermediaries in this respect, so you need to ask about their experience here as well. If it's badly managed both parties can get into each other's way and block opportunities for intervention."



THE IMPORTANCE OF EARLY INTERVENTION

Nowhere is the case for early intervention more evident than in the area of stress-related claims. For example, leading rehabilitation provider HCML reports that the majority of its clients with moderate to severe psychological conditions have their condition largely addressed within eight to 12 treatment sessions when treated early by suitably qualified experts. If, however, intervention is delayed then a condition and its symptoms can deteriorate.

“This can often mean that the duration of treatment will be longer and therefore more costly,” explains Keith Bushnell, chief executive of HCML. “A negative occupational impact can be greater when treatment is delayed or if unsuitable practitioners are responsible for treatment provision, leading to increased absence from work and further costs in loss of earnings. Our

own research indicates that rehabilitation initiated with clients by suitable treating practitioners within a month of accident achieves functional and return to work goals in the majority of cases.”

In illustrating the cultural differences that exist between group income protection providers, Jon Green, principal for health and productivity at national employee benefit consultants Buck Consultants, estimates that the best insurers invest in rehabilitation in somewhere between 70% and 80% of cases where they receive early claims notification within the deferred period for large schemes. At the other end of the scale, however, he feels insurers react to as few as 10% of cases.

Canada Life, which is consistently praised by specialist intermediaries for its claims management capabilities, has become so aware



OTHER DISTINGUISHING FEATURES

Ascertaining how early an insurer is likely to intervene for certain types of claim should therefore be a key consideration when selecting your provider. It is also important to ask the carrier whether it uses in-house claims personnel or whether it outsources to external organisations, and whether it is likely to pay for private operations or other treatments for claimants if necessary. The CIPD's 11th annual absence management survey highlights acute medical conditions as being major causes of long-term absence.

Mike Blake, compliance director at national specialist intermediary PMI Health Group, says: "Insurers who have an in-house claims capability enjoy greater control over their operation. They are likely to be more efficient and can control who they employ and how they deliver their service. Being prepared to pay for private treatments is also important. There is an old maxim in the industry that for every day that you intervene early you save two days in absence."

Another important point to establish is the minimum length of experience that an insurer insists that its rehabilitation personnel have. The longer that someone has worked within claims the more authority they tend to get to make decisions. For example, it is not ideal if a nurse doesn't have the authority to fund a return to work programme or if a claims assessor doesn't have the authority to determine that a claim is valid.

Lorica Consulting's Louise Flowers says: "It's all about quality. With income protection I think that any therapist should ideally have five years' experience, and it is important that the insurer is actively engaging in auditing the quality. The better insurers do this."

of the importance of early intervention, that it now offers schemes with annual premiums in excess of £300,000 or with poor or worsening claims experience access to free Early Intervention Services, which can normally assist insured employees after only four weeks' continuous absence. In fact, when dealing with specific work-related and/or mental health related disorders the intervention can be provided after only two weeks' absence.

Mike Newcombe, director of CMS at Canada Life, says: "This service means that our nurses and rehabilitation consultants will work with line managers and HR on cases well before they think of filling in a claims form. However, if the case does eventually result in a claim, the employee will enjoy the continuity of dealing with the same dedicated nurse."



THE IMPORTANCE OF COMMUNICATION

Perhaps most importantly of all it is vital to select an insurer that places a high value on proactively communicating with both employer and employee. Buck Consultants' Jon Green feels that insurers are poles apart in this respect and says that making the wrong choice can leave you feeling like you are dealing with a motor claim via a production line mentality.

Green says: "A good service is open, with regular dialogue with the employer, and everything is transparent with regard to why claims are being declined or upheld. The key for all conditions, and particularly for acute psychological conditions, is for the line manager or HR department to maintain a regular dialogue with the employee so that they don't feel ostracised, and the rehab team used by the insurer can play a valuable part in the process. I feel it is most important with stress-related and psychological conditions because, if you remember the awful Monday morning feeling

after returning after two weeks' holiday, how do you think someone is going to feel after three or four months out?

"The ideal claims process is a tripartite conversation between HR/the line manager, the employee and the insurer and its medical team, involving a regular dialogue to help the individual. It takes time to build a relationship with an employer but the more progressive the claims management and the earlier the intervention the more open the dialogue will be. Going forward, insurers also need to forge links with employers' occupational health services."

Canada Life, which is most unusual in insisting that all its claims personnel are both employed in house and have at least five years' experience, makes communication an overwhelming priority. Not only do its rehab consultants visit claimants at home to provide return to work support, but with the larger schemes they are also actively involved in visiting the employer.



THE CANADA LIFE APPROACH

Canada Life Group Insurance's CMS+ VIP services, available to schemes with annual premiums of £100,000 or more or for those which have multiple claims, has been highly innovative in insisting that its claims management consultants and rehab consultants across the UK actually go and meet employers at regular intervals.

The process begins with a workshop where personnel from both the employer and the insurer get to know each other for a few hours and sort out how they are going to work together. From that point onwards regular face-to-face meetings are arranged, typically on a quarterly basis, together with further regular telephone appointments – typically monthly – if there are a lot of claims or other issues to discuss.

Canada Life's Mike Newcombe says: "The workshop cements the relationship right from the start and the regular committed timetable to visit employers is a real winner. It gives us a chance to get to know the employer and to provide it with regular updates on all claims and stress-related issues.

"A few years ago companies would phone up and ask what we were going to do with this

or that claim but we are now actually giving them real-time information on the state of claims and planned case management.

"It's been proving a huge success, especially as employers are attracted to the fact that we can reduce their future premiums as a result of working together and predicting reduced future claims patterns. We are very confident that, if companies allow us to indulge in this form of regular communication, it is likely to result in premium reductions in two years' time. All the work from the visit is fed back into the further pricing of the service and, even if a scheme has had a bad past claims record, we are still able to reward the employer if it has changed its practices. In the current economic environment this is obviously hugely important."

The approach has been so successful that Canada Life has subsequently introduced a telephone-based version called CMS Connect for companies with annual premiums of between £50,000 and £100,000. They receive regular communication over the phone from head office-based dedicated claims personnel as opposed to face-to-face visits.



VALUE-ADDED SERVICES

Insurers are also capable of differing markedly with regard to the other added value services they incorporate into their income protection propositions. Some, for example, now provide free employee assistance programmes (EAPs) but others don't. Furthermore, not all of those that do provide them include free face-to-face counselling in addition to telephone-based counselling.

Providing an EAP and communicating it properly to the workforce can help prevent stress-related problems from becoming full blown absenteeism issues, both by giving employees access to confidential counselling and by providing line managers with support on matters such as spotting the signs of depression. EAPs can also provide claimants with valuable support during the actual claims process, and the very best versions now extend to both insured and non-insured employees so that worksite marketing can be provided to ensure usage.

Lorica Consulting's Louise Flowers says: "EAPs are not just about helping with stress. A good one may be able to deal with other issues that a claimant needs help with whilst

recovering from their medical issue, such as debt counselling or childcare. I think the ability to have a number of face-to-face counselling sessions can be advantageous, so you need to check if you are being offered a free EAP that it includes this."

Other added-value services can also tip the balance when it comes to scheme choice. Canada Life, for example, automatically offers access to the Best Doctors second opinion service and to BusinessCare, a 24/7 online and phone-based business and legal support service.

Chris Ford, director of group risk at national employee benefit consultants Jelf Employee Benefits, says: "In the case of an SME type client with a single HR person, something like Canada Life's BusinessCare service could be an excellent support avenue because it offers so much advice around legislation and on subjects such as how to manage difficult cases. I also think that Best Doctors is an excellent service and it can help partners and families of employees get second opinions in addition to the employees themselves, and this can enhance the wellbeing of the employee."

QUESTIONS YOU SHOULD ASK INSURERS

One of the surest ways of selecting the most suitable income protection insurer is to use a specialist intermediary but, when doing so, it is important to make it clear that you are keen to select an insurer with an outstanding claims management service as opposed to simply the one that quotes the keenest initial price. Remember that, as well as reducing your clients absenteeism costs, effective claims management should reduce their future premiums.

We have therefore listed 20 questions you can ask intermediaries about insurers they are recommending or which you can ask insurers directly if you are shopping around yourself.

20 QUESTIONS TO ASK GROUP INCOME PROTECTION PROVIDERS

1 Is communicating regularly with employers a high priority?

2 If so, how regularly do you tend to communicate with employers face to face?

3 How regularly do you tend to communicate with employers via telephone?

4 Are you able to reduce premiums for employers you communicate regularly with?

5 How early do you aim to intervene at the claims stage for different types of condition?

6 Are your claims personnel all in-house or do you outsource to external providers?

7 How do you select and monitor the quality of your claims personnel?

8 Do you insist on your claims personnel having a minimum level of experience?



↳ Are all claims personnel qualified, or just a proportion of them?

↳ Are you experienced in working alongside specialist intermediaries during the claims process?

↳ Are you geared to working in conjunction with an employer's occupational health department?

↳ Are claimants visited regularly by their own dedicated claims personnel?

↳ Are you always transparent with regard to why claims are paid or turned down?

↳ Do you lay on an initial workshop at the outset of the relationship for some clients?

↳ To what extent are you prepared to pay for private treatments to speed up return to work?

↳ If appropriate, are you able to facilitate a return to work on a part-time basis at first?

↳ Can you provide expert advice on legal issues such as compliance with the Equality Act?

↳ Do you include an EAP within the charging structure of your group income protection scheme?

↳ If so, does it offer free face-to-face counselling in addition to telephone-based counselling, and does it cover all employees or can it be extended to do so?

↳ Does your scheme include any other added-value features that can be of use at the claims stage?

ABOUT THE AUTHOR



Edmund Tirbutt was a leading freelance financial journalist who worked for the *Mail on Sunday*, *Independent on Sunday* and the *Daily Telegraph* as well as many specialist financial magazines including *Health Insurance*. During his last seven years as a journalist he won 18 awards for excellence. Since 2004, he has focused primarily on providing copywriting services to financial organisations. Edmund, who is also an author, has extensive experience of writing independently written customer guides and information sheets, market reports, sales and marketing literature and newsletters for customers, intermediaries and healthcare professionals.



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