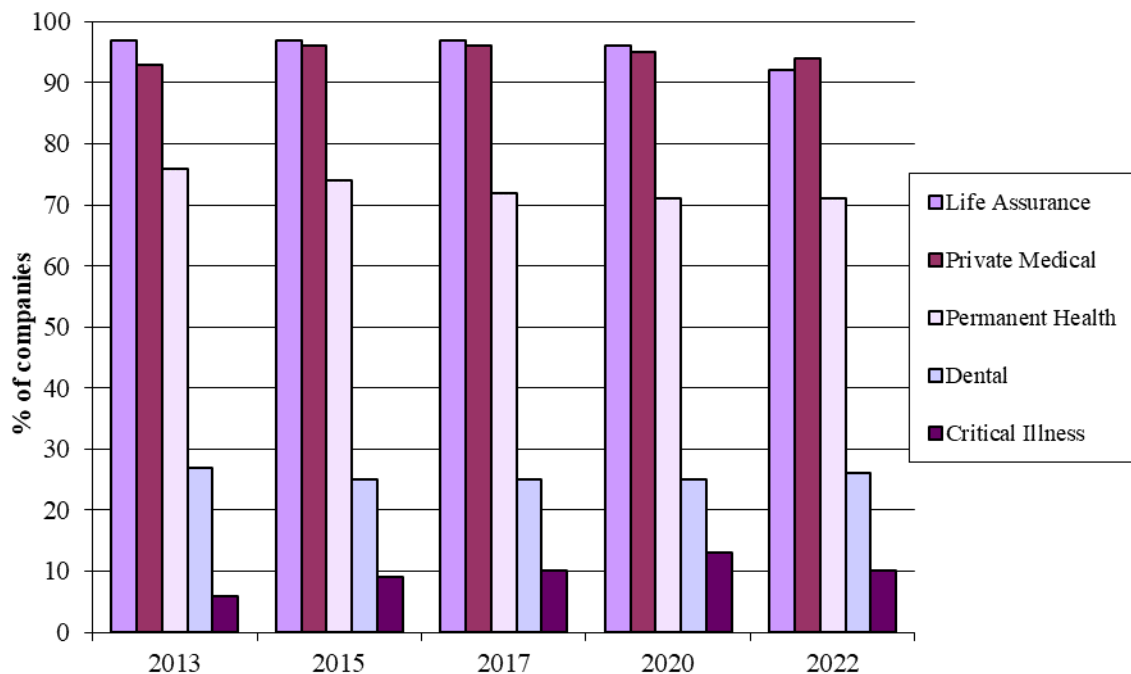


Provision of Insured Benefits

The provision of insured benefits, particularly life assurance and private medical cover have traditionally been a standard part of the remuneration package in the City. Although the majority of survey participants continue to provide these benefits, the percentage offering the three main insured benefits, life assurance, permanent health (long-term disability) and private medical cover, has fallen slightly. As the chart below indicates, over 90% continue to offer all employees, including new hires, both life and private medical cover.

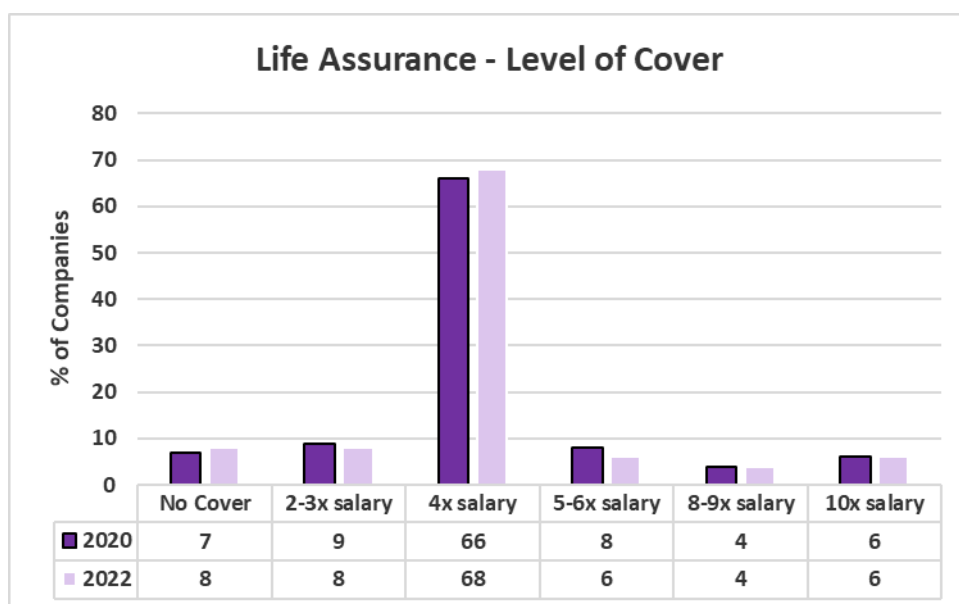


The Equality Act 2010 abolished the default retirement age. However, the legislation permits companies to restrict membership of group risk schemes such as life assurance, permanent health insurance (PHI) and private medical insurance (PMI) schemes, to the state pension age. We note that several companies in our survey have restricted membership of such schemes to those reaching state retirement age, although the majority have maintained cover for all staff, regardless of age.

Life Assurance

Life assurance cover for employees is now provided by 92% of organisations, down from 93% in 2020, and from 96% in 2019. This benefit has been a standard benefit in the finance sector, and until recently, cover was provided for all employees by almost all organisations in the survey. We note that those that do not provide life cover are all small organisations with fewer than 50 UK employees.

The chart below indicates the level of cover provided as a multiple of salary to be paid to the employee's dependants or other nominated persons in the event of the employee's death whilst in service. Life cover is typically calculated on base salary only.



With the move away from defined benefit pensions, some organisations increased life assurance cover to multiples of 8 - 10x salary in order to provide sufficient financial support to an employee's dependents in the event of their death in service. These multiples of salary are currently applied by 11% of participating companies, so remain a fairly rare level of cover.

Despite seeing a reduction in the percentage of organisations offering 4x salary in recent years, this has remained around two-thirds of participating organisations in recent years.

In line with many other benefits it has become normal practice to provide the same level of benefit by multiple of salary, to all staff regardless of status, though obviously, salary influences the value of pay-out.

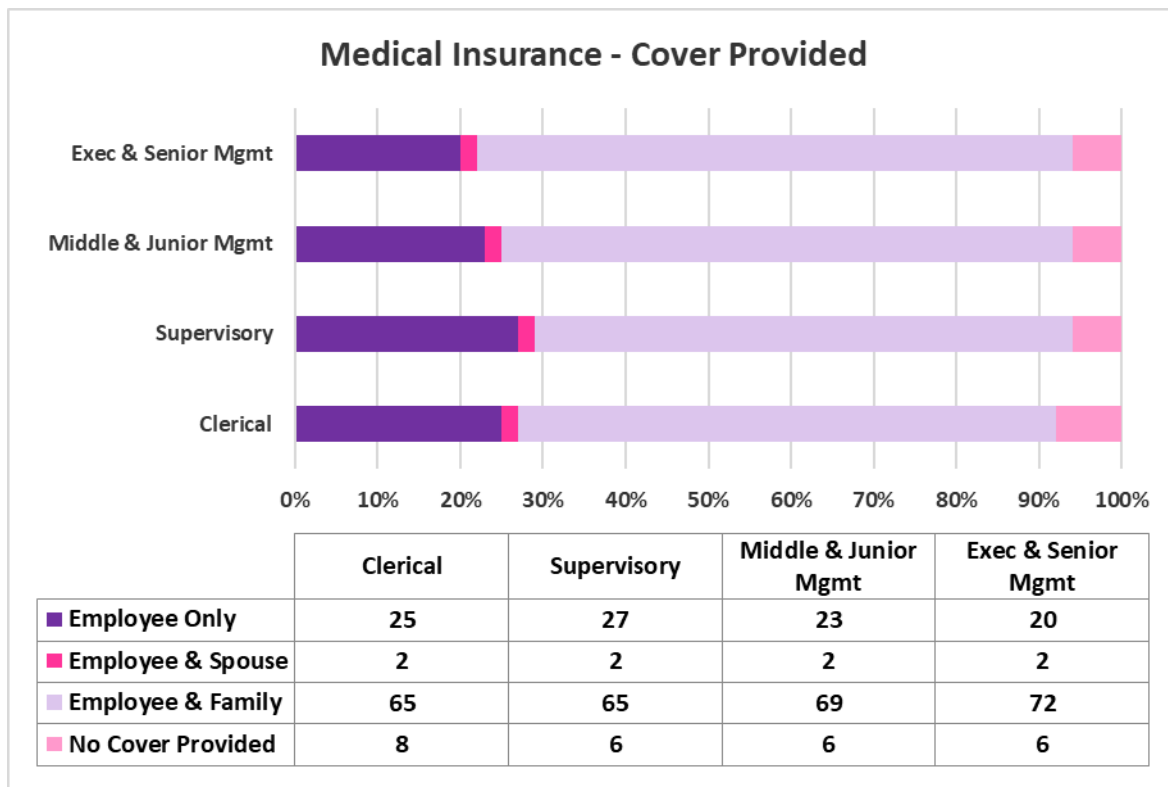
A minority of companies report operating a cap on life assurance pay-outs. These schemes calculate benefits based on a multiple of salary, as with other schemes, but restrict the total amount paid out to a maximum upper limit, for example £500,000, which applies to all staff.

Some companies have restricted or removed cover for employees over State Pension Age. The majority, however, continue to cover all employees regardless of age.

Private Medical Insurance

This form of insurance provides for private medical treatment for employees and, typically, their dependants. Private medical insurance (PMI) is provided by 94% of participating organisations, as was the case in 2020. Eighty-eight percent of all organisations offer the same level of cover to all UK staff, with the remaining 6% providing different levels of cover by seniority, or in some cases, offering cover at management grades only.

The chart below indicates the level of cover provided and paid for by the employer. The majority of organisations provide family cover to include the spouse or partner of their employee, and dependent children.



Age discrimination legislation allows for an exemption to be applied to medical insurance cover, whereby employers can cease providing these benefits at state pension age. Although some participating companies report that they do limit this benefit to those under this age, most continue to include older employees within their PMI scheme.

Unmarried and Same-Sex Partners

The majority of participants confirm that same sex partners in a civil partnership or marriage benefit from the spouses' benefit in line with their policy for other married employees.

Of those providing spouse or family cover, 95% currently specify that unmarried partners can be included within the PMI scheme. Usually some rules on eligibility apply, for example, limiting cover to those with shared mortgages or those co-habiting.

Employee Contributions

Twelve percent of organisations offering private medical insurance (16% in 2020) will pay for cover for the employee only and require the employee to contribute to the cost of private medical insurance to extend cover to spouse and/or dependents. The employee gains from the reduced rates available through a company scheme and the employer limits its own costs by paying for the employee's premium only.

Two percent of companies require employees who take up PMI cover to make some financial contribution to their premium cost, regardless of their level of cover, and not solely to 'top-up' or increase cover for spouse or dependents.

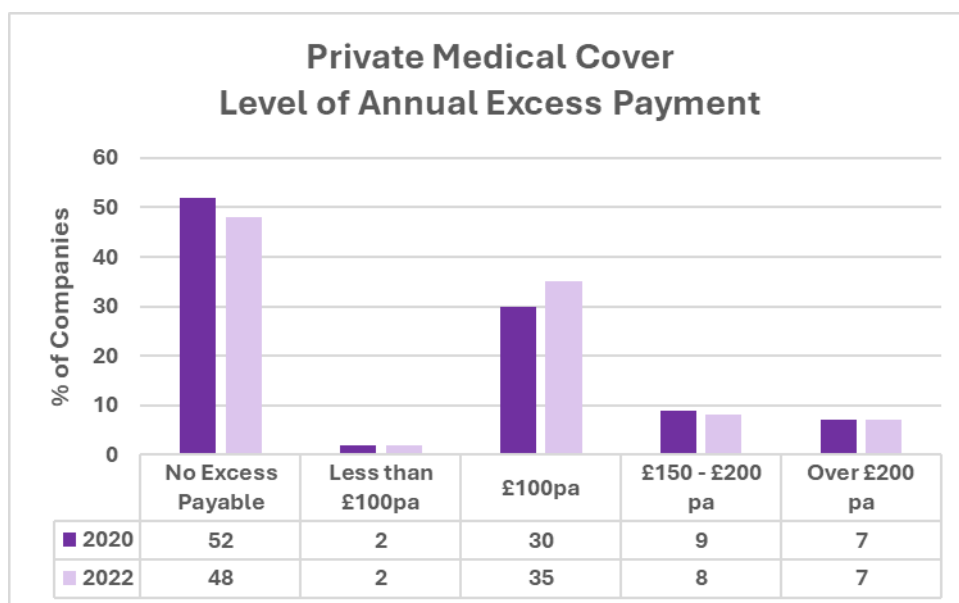
An additional 2% of participating companies provide group cover, and hence reduced rates, for their employees, yet make no contribution to the cost, which is borne wholly by the employee.

Paying an Excess

It has become more common for organisations to require members to pay an excess when they make a claim for treatment than to require an employee to contribute to the premium costs. Usually an excess takes the form of a fixed amount payable by each claimant per year.

Currently 52% of participants with a PMI scheme report that an excess operates within their policy. This percentage has been increasing year on year, having been 43% in 2018 and 48% in 2020. The use of an excess reduces insurance premium costs to the employer.

The chart below indicates the level of excess payable per claimant per year. Over the last few years, we have seen a slight move to a higher annual excess payment, for example £150 or £250 per claimant per year. However, the most popular level of excess, where payable, remains at £100 per claimant per year.



No participating companies now report imposing a different level of excess for different categories or grades of staff, as was previously the case.

Restrictions on Private Medical Care

The majority of respondents report that the private medical cover they provide does not restrict the level or type of care available. However, approximately 15% of respondents indicate that some restrictions or limits may apply, reducing the cost of cover to the employer. Most commonly, in these cases, restrictions apply to the hospitals available under the scheme, so that the most expensive private hospitals are excluded. Other restrictions may apply to the extent of cancer treatment available or to mental health cover, however these limits are reported by a small minority of employers.

Permanent Health Insurance

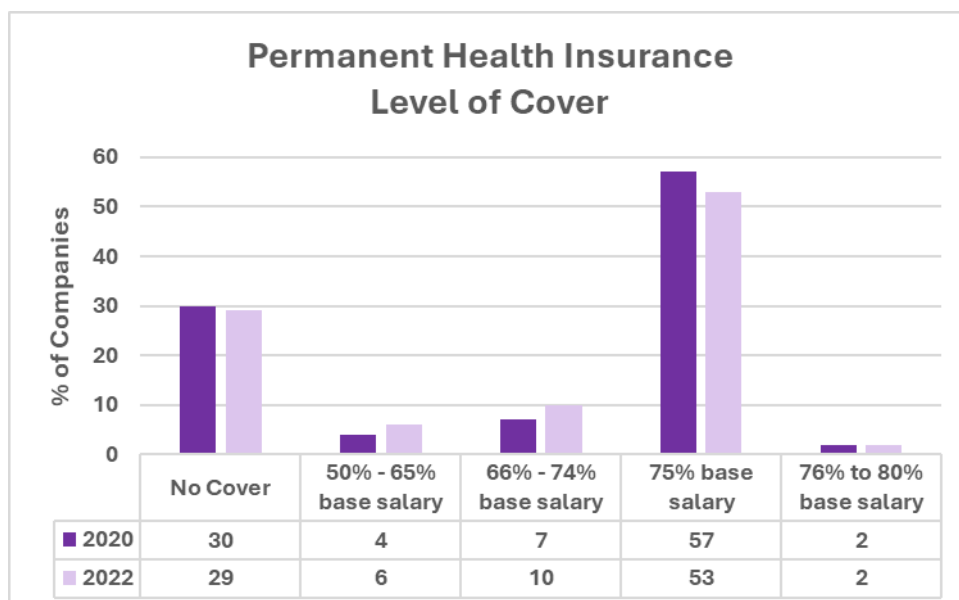
This form of cover provides for a regular payment to be made to an employee who is on long-term sickness absence due to an illness or disability which prevents them from working. The payment is usually paid monthly and is based on a percentage of base salary, less any state sickness benefits.

Permanent health insurance (PHI), or group income protection, is provided by 71% of organisations responding to this survey, a similar level to that reported in 2019 and 2020, though it has reduced from around 80% ten years ago.

Thirty-nine percent of organisations do not provide this cover to new hires, though some may continue to do so for existing recipients via a ‘grandfathered’ scheme. Such legacy schemes are not included in the figures given below as we only consider benefits available to new appointees.

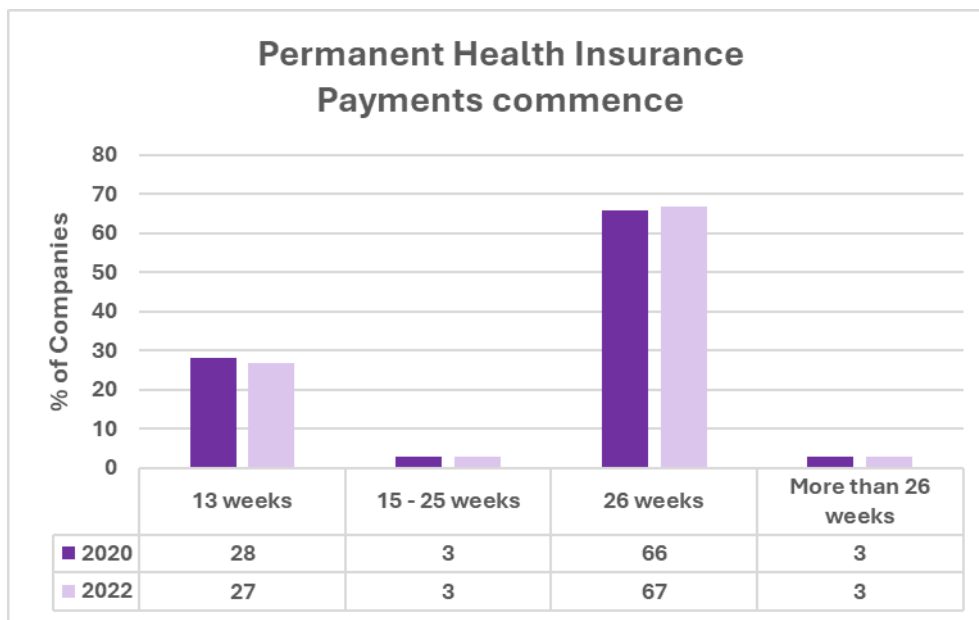
All those companies providing PHI report to us that the same level of benefit, as a percentage of salary and applied after the same period of incapacity, is available for staff at all grades, although it is not uncommon for an organisation to require a new employee to complete an extended period of service, in addition to the usual probation period, before being eligible for cover under their PHI scheme. This service period can be up to 24 months. We also note that several organisations restrict eligibility for PHI cover to employees under state retirement age.

As shown in the chart below, the most popular PHI cover provides for 75% of base salary, with 53% of companies providing this level of cover.



Commencement of PHI Payments

Traditionally, PHI payments commence after 26 weeks (6 months) continuous sickness absence. This remains the most popular period of incapacity prior to the start of insured payments. This has changed little since 2020, though prior to that we had seen a move from 26 to 13 week payment commencement whereby the insurer takes over responsibility for making payments earlier.



All of those companies where PHI payments start after 13 weeks will continue to pay full salary to employees who are away from work due to ill health for the full 13-week period prior to PHI payments starting.

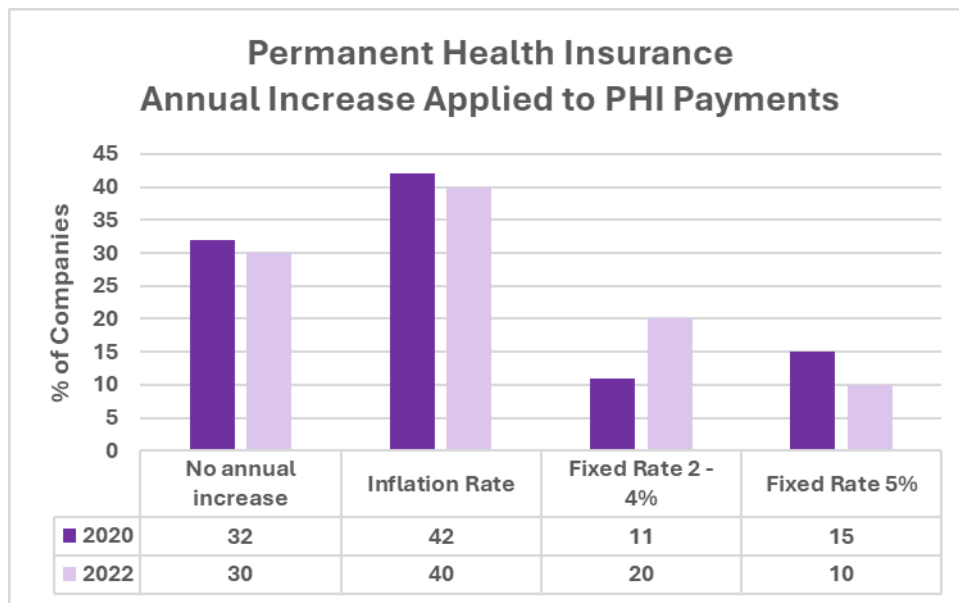
Sixty percent of those companies where PHI payments start from 26 weeks or later, continue to pay full salary for the whole of that 26-week period. The remainder will continue full pay for a more limited period, typically the first 13 weeks only, with a minority making only statutory sick payments with no extension of full pay while waiting for PHI payments to commence. The employee's length of service may determine the period over which the employer will continue to pay full salary.

Most policies allow for payments to continue until state pension age. However, in some cases the benefit is provided for a fixed period of time, i.e. a maximum of 5 years. Taking this approach significantly reduces costs.

Regular Increase in PHI Payments

A PHI policy may define an annual rate of increase to the incapacity payment made to an ongoing recipient. Thirty percent of those with a PHI scheme provide no annual increase in PHI payments, however 70% of schemes define an increase.

It is most common, for the increase to be based on the rate of inflation, as shown in the chart below, as applies to 40% of PHI schemes. However, 30% of policies provide a specified rate of increase, which is now most likely to be in the range 2 - 4%, whereas previously a 5% uplift was more popular.

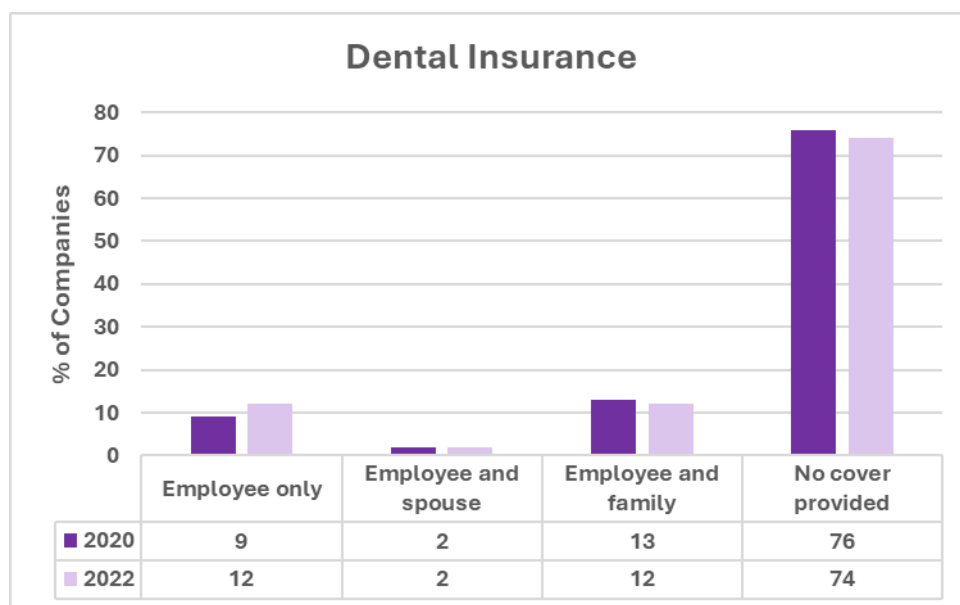


Dental Insurance

Twenty-six percent of participating organisations offer dental insurance to their employees (24% in 2020, and little changed over many years). Until 2016, employee-only cover was the norm. However, family cover has since become equally popular.

Where dental cover is provided, we note that the same level of cover, i.e. employee, spouse or family cover, is provided to all eligible UK employees of each organisation. Until 2019, a small number of organisations had offered family cover to managerial staff and employee-only cover to clerical staff.

The figures below exclude those companies where dental insurance is an optional benefit within a flexible benefits scheme.



Dental insurance schemes are usually strictly limited as to the type of treatments covered and impose maximum annual costs. Sometimes dental insurance is included as a part of the company's private medical scheme. In other cases, it is a separately insured scheme.

Critical Illness Insurance

This insurance provides financial cover for employees in the event of contracting an incurable disease or permanent disability for which there is no chance of recovery. Only certain illnesses or disabilities defined by the policy are covered, for example incurable cancer, brain tumour or multiple sclerosis. It is supplementary to any private medical, permanent health or life assurance schemes offered by an organisation and pays a lump sum, on diagnosis, to provide for the employee's immediate or longer-term needs.

It has always been relatively rare for the companies responding to this survey to provide this cover with only 10% of companies now reporting that they offer this type of insurance (11% in 2020). Where this insurance is in place all employees benefit from it.

