



Spotlight on...

Group Income Protection



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EVERYONE BENEFITS

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Spotlight on Group Income Protection

This employee benefit enables an employer to pay employees a percentage of their income if illness or injury prevents them from working for a prolonged period of time. It helps an employer continue to cover some of the costs they would face if an employee were ill, particularly if they wanted to continue to pay them through a duty of care.

How does it work?

How much cover?

The employer decides on the level of cover they would like to offer. Usually, the maximum amount available is around 80% of the employee's pre-disability salary so that there is always a financial incentive to return to work. Employer National Insurance and pension costs may be included within this limit.

When does it pay?

After an employee has been absent due to illness for longer than a pre-determined deferment period. There is a choice of deferment periods: 8 weeks; 13 weeks; 26 weeks; 52 weeks.

How long does it pay for?

There is a choice of cease dates/payment periods. Cover up to State Pension age is possible but there are also cost-effective fixed payment periods available ranging from 2-5 years. Cover continues to be paid until the first occurrence of: the employee recovers and returns to work; the end of the benefit cease period; or the employee dies. Most policies will pay a proportional benefit if the employee returns to work on a reduced hours basis, or in a different role.

Many policies include occupational health support which has a benefit to the employer, the employee, and the insurance company itself. It ensures the employee can be supported as early on as possible with their recovery, rehabilitation and return to work.

Each scheme is provided with a "free" cover limit under which employees don't need to answer medical underwriting questions. This can be particularly useful as it means employees with past medical issues can potentially be included. Including the option of Indexation ensures the benefits payable are automatically increased by the rate of inflation or by a fixed percentage each year.

The benefit is paid to the employer who pays it out to the employee under PAYE.

Why do businesses need Group Income Protection?

Everyone values good health. If an employee knows they would continue to receive income in the event of an accident or long-term illness preventing them from working, it gives them peace of mind. It's common for employees to have a lack of savings/contingency fund to fall back on if they were ill, and they may struggle to meet their financial commitments. Group Income Protection is therefore a much-valued benefit offering financial security and can employers help to attract and retain employees.

Many employers feel a duty of care to their employees and often pay employees on a discretionary basis when they are ill if they can. However, this can be a difficult and considerable cost to maintain over the longer term, particularly if it is necessary to also pay someone else to do the job of the person who is ill. It will therefore enable the business to substitute the unknown cost of paying sick pay with the known cost of the insurance premium.

Costs

Costs depend on factors such as the employee age, salary, and selected cover options e.g. deferment and payment period and can therefore vary. It is therefore better to obtain a detailed quote from us.

*Under current tax legislation the cost of Group Income Protection is usually a tax-deductible business expense.



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To request a Group Income Protection quote or a free consultation please contact us:

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